Listing Prospectus

Not for General Distribution in the United States of America

Garfunkelux Holdco 3 S.A.

(*incorporated as a public limited liability company (société anonyme) in the Grand Duchy of Luxembourg (''**Luxembourg**''), having its registered office at 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B197.551*)

€415,000,000 Floating Rate Senior Secured Notes due 2023

Garfunkelux Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg (the ''**Issuer**''), is offering €415 million aggregate principal amount of its Floating Rate Senior Secured Notes due 2023 (the ''**Notes**''). The Issuer is a subsidiary of Garfunkelux Holdco 2 S.A., a public limited liability company (société anonyme) incorporated and existing under the laws of Luxembourg (the ''**Parent**''). As of the Issue Date (as defined below), the Parent is beneficially owned principally by funds advised by Permira Funds (as defined herein).

The Notes will mature on September 1, 2023. The Issuer will pay interest on the outstanding principal amount of the Notes at a *per annum* rate equal to three-month EURIBOR (subject to a 0% floor) plus 3.50% per annum, reset quarterly. Such interest will be paid quarterly in arrears on each September 1, December 1, March 1 and June 1, commencing December 1, 2017. Prior to September 1, 2018, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying the relevant applicable premium. Some or all of the Notes may also be redeemed at any time on or after September 1, 2018 at the relevant redemption prices set forth in this Offering Memorandum.

Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. See ''*Description of the Notes*'' for more information.

The Notes will be the senior obligations of the Issuer and, on or about the Issue Date (as defined herein), will be guaranteed on a senior basis (the ''**Note Guarantees**'') by the Parent and certain other material subsidiaries of the Issuer (collectively, the ''**Guarantors**''), and the Notes will be secured on a first-priority basis by the Collateral (as defined herein).

There is currently no public market for the Notes. We will apply to have the Notes listed on the Official List of the Luxembourg Stock Exchange (the ''**LuxSE**'') and traded on the LuxSE's Euro MTF market (the ''**Euro MTF Market**''), which is not a regulated market within the meaning of Directive 2004/39/EC on markets in financial instruments. There can be no assurance that the application will be accepted or that there will be a market for the Notes if the application is accepted.

Investing in the Notes involves a high degree of risk. See ''*Risk Factors*'' beginning on page 44.

Price for the Notes: 100.00% plus accrued interest, if any, from the Issue Date.

We expect that the Notes will be delivered in book-entry form through Euroclear System (''**Euroclear**'') and Clearstream Banking S.A. (''**Clearstream**'') on September 20, 2017 (the ''**Issue Date**'').

The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the ''U.S. Securities Act''), or the laws of any other jurisdiction. The Issuer has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the ''Investment Company Act''), in reliance on the exemption provided by Section 3(c)(7) thereof. The Notes offered hereby are being offered by the Issuer in the United States to persons who are both Qualified Institutional Buyers (''QIBs'') in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act (''Rule 144A'') and Qualified Purchasers (''QPs'') (as defined in Section 2(a)(51)(A) of the Investment Company Act) and outside the United States to persons who are neither U.S. persons (as defined in Regulation S under the U.S. Securities Act (''Regulation S'')) nor U.S. residents (as defined for purposes of the Investment Company Act) in offshore transactions in reliance on Regulation S. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See ''*Notice to Prospective U.S. Investors*'' and ''*Transfer Restrictions*'' for additional information about eligible offerees and transfer restrictions. The Issuer is a ''covered fund'' as defined in Section 13 of the Bank Holding Company Act (the ''Volcker Rule''). The Notes may constitute an ''ownership interest'' within the meaning of the Volcker Rule. See ''*Risk Factors—Risks Related to the Notes—The Volcker Rule may negatively affect the liquidity and the value of the Notes*'' and ''*Transfer Restrictions*.''

Global Coordinators and Joint Physical Bookrunners

Credit Suisse **J.P. Morgan**

The date of this Listing Prospectus is September 29, 2017.

No person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum. This Offering Memorandum does not offer to sell or solicit offers to buy any Notes in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the Notes.

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IMPORTANT INFORMATION

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. 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, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. Neither we nor Credit Suisse Securities (Europe) Limited and J.P. Morgan Securities plc (the ''**Initial Purchasers**'') are responsible for your compliance with these legal requirements. See also ''*Notice to Prospective U.S. Investors*,'' ''*Notice to Certain European Investors*'' and ''*Plan of Distribution*.''

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with different information. In addition, neither we nor the Initial Purchasers nor any of our or their respective representatives are providing you with any legal, business, tax or other advice in this Offering Memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference should be made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of certain of the documents referred to herein will be made available to prospective investors upon request to us.

The Initial Purchasers, the trustee and any other agents acting with respect to the Notes accept no responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set out in this Offering Memorandum and nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers, the trustee, or any other agents acting with respect to the Notes as to the past or the future.

By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers or their respective directors, affiliates, agents or advisors in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this Offering Memorandum and have had an opportunity to request, and have received all additional information that you need from us. No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum or any pricing term sheet or supplement and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers.

The information contained in this Offering Memorandum is as of the date hereof. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set out in this Offering Memorandum or in our business since the date of this Offering Memorandum.

The Issuer has prepared this Offering Memorandum solely for use in connection with the offer of the Notes and the Note Guarantees to persons who are both QIBs under Rule 144A and QPs (within the meaning of the Investment Company Act) and to investors who are non-U.S. persons (within the meaning of Regulation S) and non-U.S. residents (as defined for purposes of the Investment Company Act) outside the United States. You should read this Offering Memorandum before making a decision whether to purchase any Notes.

By accepting delivery of this Offering Memorandum, you agree to the foregoing restrictions and agree not to use any information herein for any purpose other than considering an investment in the Notes. This Offering Memorandum may only be used for the purpose for which it was published. The information contained under ''*Exchange Rate Information*'' includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this Offering

Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form*," is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream.

We will not, nor will any of our agents or the Initial Purchasers, have responsibility for the performance of the respective obligations of Euroclear and Clearstream or their respective participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

Neither the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense. The Issuer will apply to list the Notes on the Official List of the Luxembourg Stock Exchange (the "**LuxSE**") for trading on the LuxSE's Euro MTF market (the "**Euro MTF Market**"), and will submit this Offering Memorandum to the competent authorities of the LuxSE in connection with the listing application. Comments by the competent authorities may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information. The Issuer may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects. We cannot guarantee that the application for the Notes to be listed on the Official List of the LuxSE and to be admitted to trading on the Euro MTF Market will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. This Offering Memorandum constitutes a prospectus for the purposes of Part IV of the Luxembourg act dated July 10, 2005 on prospectuses for securities, as amended (the "**Luxembourg Prospectus Law**"). The Notes will not be offered to the public in Luxembourg.

The Issuer is offering the Notes and the Guarantors are issuing the Note Guarantees, in reliance on an exemption from registration under the U.S. Securities Act for an offer and sale of securities that do not involve a public offering. The Issuer has not been and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. The Notes are subject to restrictions on transferability and resale, which are described under "*Plan of Distribution*" and "*Transfer Restrictions*." By possessing this Offering Memorandum or purchasing any Note, you will be deemed to have represented and agreed to all of the provisions contained in that section of this Offering Memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

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 "*Taxation*."

STABILIZATION

IN CONNECTION WITH THIS OFFERING, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (THE ''**STABILIZATION MANAGER**'') (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER), MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF SUCH NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE CAN BE NO ASSURANCES THAT THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO PROSPECTIVE U.S. INVESTORS

The Notes will be sold outside the United States to investors who are both non-U.S. persons pursuant to Regulation S and non-U.S. residents (as defined for purposes of the Investment Company Act) and within the United States to persons who are both QIBs and QPs. The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, registration requirements of the U.S. Securities Act. The Issuer has not been and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7). The Notes shall not be offered, sold or delivered (i) as part of an Initial Purchasers' distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to Rule 144A and each dealer to which Notes have been sold during the distribution compliance period will be sent a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. See ''*Transfer Restrictions*.''

CERTAIN VOLCKER RULE CONSIDERATIONS

The Issuer is relying on an analysis that they do 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 is considered to be a ''covered fund'' for purposes of Section 13 of the Bank Holding Company Act (the ''**Volcker Rule**''). See ''*Risk Factors—Risks Related to the Notes—The Volcker Rule may negatively affect the liquidity and the value of the Notes*'' and ''*Transfer Restrictions*.''

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as amended, as implemented in member states of the European Economic Area (''**EEA**''), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are subject of the offering contemplated in this Offering Memorandum must only do so in circumstances in which no obligation arises for the Issuer, the Guarantors or the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Guarantors nor any Initial Purchaser has authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum. The expression ''**Prospectus Directive**'' means Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and amendments thereto (including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State (as defined below). The expression ''**2010 PD Amending Directive**'' means Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a ''**Relevant Member State**''), including each Relevant Member State that has implemented the 2010 PD Amending Directive, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the ''**Relevant Implementation Date**''), no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State at any time to:

- ''qualified investors'' as defined in the Prospectus Directive;
- fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the Issuer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall result in a requirement for the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to the prospectus in accordance with Article 16 of the Prospectus Directive.

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

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

Belgium

The Notes are not offered, directly or indirectly, to the public in Belgium. The Notes are being offered in Belgium to qualified investors only, within the meaning of Article 3, §2, a) and 10 of the Belgian law of June 16, 2006 on the public offering of securities and admission of securities to trading on a regulated market (''**Belgian Prospectus Law**'') and/or on the basis of the other exemptions set out in Article 3, §2 of the Belgian Prospectus Law. Accordingly, these Listing Particulars have not been and will not be notified to, or approved by, the Belgian banking, finance and insurance commission (*Commissie voor het bank-, financie- en assurantiewezen/Commission bancaire, financière et des assurances*). This Offering cannot be advertised and these Listing Particulars and any other information, circular, brochure or similar documents may not be distributed, directly or indirectly, in Belgium other than to said qualified investors or, as the case may be, other than on the basis of the other exemptions set out in Article 3, §2 of the Belgian Prospectus Law.

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 the Offering.

France

This Offering Memorandum has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title I of Book II of the *Règlement Général* of the *Autorité des marchés financiers* (the French financial markets authority, or ''**AMF**''). Consequently, the Notes have not been or will not be, directly or indirectly, offered or sold to the public in France (''*offre au public de titres financiers*''), and neither this Offering Memorandum nor any offering or marketing materials relating to the Notes have been distributed or caused to be distributed and must be distributed or caused to be distributed to the public in France.

The Notes have only and will only be offered, sold or distributed in France to qualified investors (*investisseurs qualifiés*) and/or to persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), all as defined in and in accordance with Articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*.

Germany

In the Federal Republic of Germany, the Notes may only be offered and sold in accordance with the provisions of the German Securities Prospectus Act (the ''**Securities Prospectus Act**,'' *Wertpapierprospektgesetz* or WpPG) and any other applicable German legislation. No application has been made under German law to offer the Notes to the public in or out of the Federal Republic of Germany. The Notes are not registered or authorized for distribution under the German Securities Prospectus Act and accordingly may not be, and are not being, offered or advertised publicly or by public promotion. This Offering Memorandum is strictly for private use and the offer is only being made to recipients to whom this Offering Memorandum is personally addressed and does not constitute an offer or advertisement to the public. In Germany, the Notes will only be available to, and this Offering Memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act or who are subject of another exemption in accordance with Section 3 (2) of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

Grand Duchy of Luxembourg

The offering of the Notes should not be considered a public offering of securities in Luxembourg. This Offering Memorandum has not been approved and will not be submitted for approval by the Luxembourg competent authority, the *Commission de surveillance du secteur financier* (''**CSSF**'') for the purposes of a public offering or sale of securities in Luxembourg or admission to the official list of the Luxembourg stock exchange (''**LuxSE**'') and trading on the LuxSE's regulated market of the Notes. This Offering Memorandum may not be reproduced or used for any other purpose than the offering of the Notes nor provided to any person other than the recipient thereof. The Notes are offered to a limited number of qualified investors as defined in the Prospectus Directive in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations are banned and the sale may not be publicly advertised.

The Notes may not be offered or sold to the public within the territory of the Grand Duchy of Luxembourg unless: (a) a prospectus has been duly approved by the CSSF pursuant to Part II of the Luxembourg Prospectus Law, implementing the Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the ''**Prospectus Directive**''), as amended including through Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010, if Luxembourg is the home Member State as defined under the Luxembourg Prospectus Law; or (b) if Luxembourg is not the home Member State, the CSSF and the European Securities and Markets Authority have been provided by the competent authority in the home Member State with a certificate of approval attesting that a prospectus in relation to the Notes has been drawn up in accordance with the Prospectus Directive and with a copy of the said prospectus; or (c) the offer of the Notes benefits from an exemption from or constitutes a transaction not subject to, the requirement to publish a prospectus pursuant to the Luxembourg Prospectus Law.

The Netherlands

The Notes that are the subject of the Offering contemplated by this Offering Memorandum are not and may not be offered in the Netherlands other than to persons or entities which are qualified investors as defined in article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht* or the ''**AFS**''). Each purchaser of Notes described in this Offering Memorandum located in the Netherlands will be deemed to have represented, acknowledged and agreed that it is a qualified investor (*gekwalificeerde beleggers*) as defined in section 1:1 of the AFS. For the purposes of this provision, the expression an ''offer of Notes to the public'' in relation to any Notes in the Netherlands means to make a sufficiently specific offer addressed to more than one person as referred to in section 217(1) of Book 6 of the Dutch Civil Code to conclude a contract to purchase or otherwise acquire the Notes, or to issue an invitation to make an offer of the Notes.

Norway

This Offering Memorandum has not been and will not be registered with the Norwegian prospectus authority. Accordingly, this Offering Memorandum may not be made available, nor may the Notes otherwise be marketed or offered for sale, in Norway other than in circumstances that are exempted from the prospectus requirements under the Norwegian Securities Trading Act (2007) chapter 7.

Spain

The Notes may not be offered or sold in Spain except in accordance with the requirements of the Spanish Securities Market Law 24/1988, of July 28 (*Ley 24/1988, de 28 de Julio, del Mercado de Valores*), as amended and restated, and Royal Decree 1310/2005, of November 4, on the listing of securities, public offers and applicable prospectus, as amended (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*) (the ''**Spanish Securities Market Law**''). The Notes may not be sold, offered or distributed to persons in Spain, except in circumstances which do not constitute a public offer (*oferta pública*) of securities in Spain, within the meaning of the Spanish Securities Market Law. Neither the Notes, this offering nor this Offering Memorandum and its contents have been approved or registered with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*), and therefore it is not intended for the public offering or sale of the Notes in Spain.

Sweden

This Offering Memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (*Finansinspektionen*) nor any other Swedish public body has examined, approved or registered this Offering Memorandum or will examine, approve or register this Offering Memorandum. Accordingly, this Offering Memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that constitute an exemption from the requirement to prepare a prospectus under the Swedish Financial Instruments Trading Act.

United Kingdom

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

Jersey

No person shall, without the consent of the Jersey Financial Services Commission, circulate in Jersey any offer for subscription, sale or exchange of the Notes.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as ''aim,'' ''anticipate,'' ''believe,'' ''continue,'' ''could,'' ''estimate,'' ''expect,'' ''forecast,'' ''guidance,'' ''intend,'' ''may,'' ''plan,'' ''potential,'' ''predict,'' ''projected,'' ''should,'' or ''will'' or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- our failure to comply with applicable laws or regulations, or changes in the applicable laws or regulations of the United Kingdom, Germany or the European Union;
- changes in the economic conditions in the markets in which we operate;
- our inability to purchase portfolios in sufficient volumes, at appropriate prices or of sufficient quality due to a lack of supply of such portfolios or lack of funding;
- our clients' unwillingness to renew debt collection contracts with us or our inability to win new debt contracts, replace terminated forward flow agreements or manage our commitments under our forward flow agreements;
- our reliance on clients in a limited number of industries;
- our clients' unwillingness to outsource debt collection or sell debt portfolios to us;
- our reliance on a small number of large creditors and key suppliers;
- our inability to compete with businesses that may offer more attractive prices or have greater financing resources;
- operational errors in our collection process;
- negative attention regarding the debt purchase and collection industry, individual debt purchasers and collectors or our operations;
- our inability to correctly assess pricing terms or anticipate reductions in the volume of claims we service;
- our inability to collect the expected amounts on our existing debt portfolios or deterioration in the value of our existing debt portfolios;
- limits on our operational flexibility imposed under the terms of our contracts with our clients;
- implementation of specific changes to our policies and practices as a result of adverse findings by our sellers conducting audits, or the possibility that certain sellers may remove us from their panels of preferred purchasers;
- inaccuracies in our statistical models and data;
- our consumers' changing financial circumstances and our need to adapt to these changing circumstances;

- volatility in our financial results due to the revaluation of our debt portfolios and the timing of portfolio purchases;
- inaccuracies in our estimates and assumptions;
- delays in the realization of cash returns on our investments;
- our potential contractual obligations to purchase debt at unfavorable terms pursuant to forward flow agreements or to conduct enforcement activities in limited ways;
- our inability to secure sufficient funding on favorable terms to purchase further debt portfolios;
- our reliance on third parties, including lawyers and data providers, who could perform poorly, cease to provide services to us or fail to comply with applicable regulations;
- our inability to successfully grow and integrate acquisitions;
- reliance on our intelligence systems and our proprietary consumer profiles;
- our failure to maintain and develop effective IT infrastructure or accurate decision science systems or anticipate technological advances;
- our exposure to telecommunications or technology downtime, increased technology costs and our need to adapt to technological advances within our industry;
- our failure to avoid improper disclosure or use of data and comply with data protection laws;
- breach of our confidentiality agreements or their failure to protect our proprietary processes and systems;
- our failure to identify or anticipate future risks;
- reliance on our senior management team and trained employees;
- potential labor disputes and work stoppages or increases in our labor costs;
- litigation, investigations and proceedings that may have a negative impact on our business;
- our inability to achieve our strategic goals;
- changes in the number of consumers becoming subject to personal insolvency procedures in our markets;
- defective documentation rendering our consumer accounts unenforceable;
- our portfolios containing accounts that are ineligible for collection;
- our failure to achieve future results that are consistent with our past performance;
- the incomparability of certain of our financial information;
- the assumptions, adjustments and information on which our unaudited pro forma condensed consolidated financial information included herein was based;
- our exposure to fluctuations in currency exchange rates;
- uneven debt portfolio supply in our markets;
- our exposure to rising interest rates;
- our hedging proving to be inadequate, ineffective or implemented incorrectly;
- failure to achieve our strategic goals;
- our exposure to changes in tax audits, tax regimes and other tax treatments;
- our unregistered status under the Investment Company Act;
- terrorist attacks and other instability affecting consumer spending;
- the United Kingdom's withdrawal from the European Union may have a negative effect on our business;
- other risks associated with the Offering, our financial profile, the Notes, our structure and the financing; and
- other factors discussed or referred to in this Offering Memorandum.

The risks described in the "*Risk Factors*" section of this Offering Memorandum are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our business, financial condition and results of operations. New risks emerge from time to time and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We urge you to read carefully the sections of this Offering Memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations,*" "*Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations*," "*Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations*," "*Industry and Market Data*" and "*Our Business*" for a more detailed discussion of the factors that could affect our future performance 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.

We undertake no obligation, and do not intend, to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

CURRENCY PRESENTATION AND DEFINITIONS

In this Offering Memorandum, all references to "**GBP**," "**pound**," "**pound sterling**," "**UK pound**" or "**£**" are to the lawful currency of the United Kingdom, all references to "**C$**" are to the lawful currency of Canada, all references to "**euro**," "**EUR**" or "**€**" are to the single currency of the participating member states of the European Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to "**U.S. dollars**," "**US$**" and "**$**" are to the lawful currency of the United States of America.

Definitions

Unless otherwise specified or the context requires otherwise in this Offering Memorandum:

- "Amended and Restated RCF Agreement" means the Revolving Credit Facility Agreement, as amended and restated on August 18, 2015 pursuant to, and in accordance with the amendment and restatement agreement among, *inter alios*, the Issuer, the Parent, Simon Bidco, Simon Midco, Simon Holdco, Citibank N.A., London Branch, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG and JPMorgan Chase Bank N.A., London Branch;
- "Apontas" means Apontas GmbH & Co. KG and its subsidiaries, acquired by the Group on October 10, 2016;
- "CAGR" means compound annual growth rate;
- "Collateral" has the meaning ascribed to it under "*Summary—The Offering—Security*, *Enforcement of Security*;"
- "Combined Business" means our UK Division and our DACH Division on a combined basis;
- "DACH" means the region in which our DACH Division operates, which, as of the date of this Offering Memorandum, is comprised of Germany, Austria, Switzerland, Croatia and Slovenia; however, in the years 2014 and 2015, operations of the DACH Division were in Germany only (except for some operations in Spain, which were sold as well as liquidated in December 2014);
- "DACH Division" means GFKL Holdco and its consolidated direct and indirect subsidiaries from time to time;
- "DMA" means Deutsche Multiauskunftei GmbH, an operating subsidiary of GFKL Holdco;
- "E&Y Germany" means Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft;
- "E&Y Luxembourg" means Ernst & Young, Société Anonyme;
- "ERC" means estimated remaining collections, which are the future collections projected to be received on all of our purchased debt portfolios based on our forecasting models. As of today, our internal models forecast collections over a 120-month period for our UK Division and over a 180-month period for our DACH Division (in each case, except as otherwise specified). ERC is presented here for illustrative purposes only and can be different from the forecasts used to calculate the carrying value of our purchased debt portfolios as recognized in our consolidated financial statements. Any references to ERC in this Offering Memorandum are references to gross ERC (which includes estimated gross collections in respect of the principal balance, costs, service costs and fees). While the underlying methodologies our UK Division and our DACH Division use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for our UK Division and our DACH Division may not be directly comparable, and the interpretability of the Group ERC, which is derived from the combination of these two metrics, may be affected as a result See "*Presentation of Financial and Other Information—Non-Financial Operating Data*;"
- "Existing 2021 Additional Proceeds Loan" means the loan made on or about April 21, 2017 and documented under the Existing 2021 Additional Proceeds Loan Agreement;
- "Existing 2021 Additional Proceeds Loan Agreement" means the proceeds loan agreement under which the on-lending by the Issuer on or about April 21, 2017 of the additional €175 million aggregate principal amount of the Existing 2021 Euro Notes issued on April 21, 2017 to Simon Bidco Limited was documented, which was further on-lent to Lowell Portfolio I Limited, on or about

April 21, 2017. The Existing 2021 Additional Proceeds Loan Agreement may be amended and restated on or about the Issue Date pursuant to the Proceeds Loan Amendment and Restatement;

- ''Existing 2021 Euro Notes'' means collectively the €230 million aggregate principal amount of Floating Rate Senior Secured Notes due 2021 issued by the Issuer on September 28, 2016 pursuant to the September 2016 Senior Secured Notes Indenture and the additional €175 million aggregate principal amount of Floating Rate Senior Secured Notes due 2021 issued by the Issuer on April 21, 2017 pursuant to the September 2016 Senior Secured Notes Indenture, which will be redeemed in full in connection with the Transactions;
- ''Existing 2021 Initial Proceeds Loan'' means the loan made under the Existing 2021 Initial Proceeds Loan Agreement;
- ''Existing 2021 Initial Proceeds Loan Agreement'' means the proceeds loan agreement under which the Issuer was deemed to have on-lent the €230 million aggregate principal amount of the Existing 2021 Euro Notes issued on September 28, 2016 to GFKL Holdco;
- ''Existing 2021 Proceeds Loans'' means the Existing 2021 Initial Proceeds Loan and the Existing 2021 Additional Proceeds Loan;
- ''Existing 2022 Euro Notes'' means the €365 million aggregate principal amount of 7.500% Senior Secured Notes due 2022 issued by the Issuer on July 23, 2015 pursuant to the July 2015 Senior Secured Notes Indenture;
- ''Existing 2022 Proceeds Loan'' means the loan made under the Existing 2022 Proceeds Loan Agreement;
- ''Existing 2022 Proceeds Loan Agreement'' means the proceeds loan agreement under which the Issuer was deemed to have on-lent the aggregate principal amount of the Existing 2022 Euro Notes to Lowell Holding on the GFKL Acquisition Completion Date;
- ''Existing 2022 Sterling Notes'' means the £565 million aggregate principal amount of 8.500% Senior Secured Notes due 2022 issued by the Issuer on October 19, 2015 pursuant to the October 2015 Senior Secured Notes Indenture;
- ''Existing Indentures'' means, collectively, the July 2015 Senior Secured Notes Indenture, the October 2015 Senior Secured Notes Indenture, the October 2015 Senior Notes Indenture and the September 2016 Senior Secured Notes Indenture (until the Existing Euro 2021 Notes are repaid in connection with the Transactions);
- ''Existing Notes'' means, collectively, the Existing 2021 Euro Notes (until the Existing Euro 2021 Notes are repaid in connection with the Transactions), the Existing 2022 Euro Notes, the Existing 2022 Sterling Notes and the Existing Senior Notes;
- ''Existing Senior Notes'' means the £230 million aggregate principal amount of 11.000% Senior Notes due 2023 issued by the Parent on October 19, 2015 pursuant to the October 2015 Senior Notes Indenture;
- ''Existing Senior Secured Notes'' means, collectively, the Existing 2021 Euro Notes (until such Existing 2021 Euro Notes are satisfied and discharged in connection with the Transactions), the Existing 2022 Euro Notes and the Existing 2022 Sterling Notes;
- ''Existing Sterling Notes'' means, collectively, the Existing 2022 Sterling Notes and the Existing Senior Notes;
- ''FRN Proceeds Loans'' means, collectively, the FRN Proceeds Loan 1 and (if made) the FRN Proceeds Loan 2;
- ''FRN Proceeds Loan 1'' means the loan made under the FRN Proceeds Loan 1 Agreement;
- ''FRN Proceeds Loan 1 Agreement'' means the proceeds loan agreement to be entered into on the Issue Date between the Issuer, as lender, and GFKL Holdco, as borrower, pursuant to which the Issuer will loan a portion of the gross proceeds of the Offering to GFKL Holdco;
- ''FRN Proceeds Loan 2'' means the loan (if any) made under the FRN Proceeds Loan 2 Agreement;
- ''FRN Proceeds Loan 2 Agreement'' means the proceeds loan agreement to be entered into on the Issue Date (to the extent the Proceeds Loan Amendment and Restatement does not occur) between

the Issuer, as lender, and Simon Bidco Limited, as borrower, pursuant to which the Issuer will loan a portion of the gross proceeds of the Offering to Simon Bidco Limited;

- ''GCG'' means GFKL Collections GmbH, formerly known as SNT Inkasso & Forderungsmanagement GmbH, an operating subsidiary of GFKL Holdco;
- ''GFKL Acquisition'' means the acquisition by Lowell Holding of Carl Holding GmbH (prior to its merger into Lowell Holding);
- ''GFKL Acquisition Completion Date'' means June 30, 2015, the date on which the GFKL Acquisition (other than the acquisition of certain additional shares in GFKL Holdco following the squeeze-out of minority shareholders pursuant to Sections 327a *et seq*. of the German Stock Companies Act) (*Aktiengesetz*)) was consummated;
- ''GFKL Holdco'' means Lowell Financial Services GmbH (previously GFKL Financial Services GmbH; formerly GFKL Financial Services Aktiengesellschaft);
- ''GPP'' means GFKL PayProtect GmbH (formerly known as Domnowski Inkasso GmbH), an operating subsidiary of GFKL Holdco;
- ''Group,'' ''we,'' ''us'' or ''our'' refer to the Parent and its consolidated subsidiaries from time to time, or, as the context requires with regards to historical acquisitions, our DACH Division or UK Division prior to the GFKL Acquisition Completion Date and the Lowell Acquisition Completion Date, respectively;
- ''Group ERC'' means the ERC projections for the Combined Business. Group ERC is calculated by adding our UK Division's ERC (based on a 120-month period) to our DACH Division's ERC (based on a 180-month period) translated into pounds sterling at the applicable rate. Group ERC is presented here for illustrative purposes only and can be different from the forecasts used to calculate the carrying value of our purchased debt portfolios as recognized in our consolidated financial statements. Any references to Group ERC in this Offering Memorandum are references to a gross Group ERC calculation (which includes estimated gross collections in respect of the principal balance, costs, service costs and fees). While the underlying methodologies our UK Division and our DACH Division use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for our UK Division and our DACH Division may not be directly comparable. Future results for our Combined Business may vary significantly from the Group ERC presented herein. See ''*Presentation of Financial and Other Information—Non-Financial Operating Data*;''
- ''Guarantors'' means, collectively, the Parent, Lowell Holding, GFKL Holdco, PCS, SIR, GCG, IBW Verwaltungs, IBW, Simon Bidco, Simon Midco, Simon Holdco, Metis Bidco Limited, Lowell Finance Holdings Limited, Lowell Group Limited, Lowell Funding Limited, Lowell Acquisitions Limited, Lowell Holdings Limited, Lowell Finance Limited, Lowell Financial Limited, Lowell Portfolio I Limited, Tocatto Limited, Lowell Solicitors Limited, Interlaken Group Limited, SRJ Debt Recoveries Limited, and Fredrickson International Limited with each a ''Guarantor;''
- ''IBW'' means INKASSO BECKER WUPPERTAL GmbH & Co. KG, an operating subsidiary of GFKL Holdco;
- ''IBW Verwaltungs'' means IBW Verwaltungs- und Beteiligungs GmbH, a subsidiary of GFKL Holdco.
- ''IFRS'' means the International Financial Reporting Standards, as adopted by the European Union;
- ''Indenture'' means the indenture to be dated the Issue Date governing the Notes by and among, *inter alios*, the Issuer, the Guarantors and the Trustee;
- ''Initial Purchasers'' means Credit Suisse Securities (Europe) Limited and J.P. Morgan Securities plc;
- ''Intercreditor Agreement'' means the intercreditor agreement dated June 29, 2015, originally among, *inter alios*, the Issuer, the lenders under the Revolving Credit Facility Agreement, each obligor in respect of the Revolving Credit Facility and the Security Agent and acceded to by, *inter alios*, the Trustee in its role as trustee for the Existing 2022 Sterling Notes and the Existing Senior Notes on October 19, 2015, as amended or supplemented from time to time, to which the Trustee

will accede on or about the Issue Date in its role as the trustee for the Notes. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement*;''

- ''Investment Company Act'' means the United States Investment Company Act of 1940, as amended;
- ''IS Inkasso Service'' means IS Group Management GmbH (together with its subsidiaries);
- ''Issue Date'' means the date on which the Notes offered hereby are issued;
- ''Issuer'' means Garfunkelux Holdco 3 S.A., a public limited liability company (société anonyme) incorporated and existing under the laws of Luxembourg;
- ''ITT'' means intratech GmbH, an operating subsidiary of GFKL Holdco;
- ''July 2015 Senior Secured Notes Indenture'' means the indenture dated July 23, 2015 governing the Existing 2022 Euro Notes by and among, *inter alios*, the Issuer, Lowell Holding and the Trustee, as amended or supplemented from time to time;
- ''KPMG Luxembourg'' means KPMG Luxembourg, *Société coopérative*;
- ''KPMG UK'' means KPMG LLP;
- ''Lowell Acquisition'' means the acquisition of the shares (except T-Shares) of Metis Bidco Limited by Simon Bidco pursuant to a sale and purchase agreement dated August 7, 2015 between, *inter alios*, the previous majority shareholder of Metis Bidco Limited and Simon Bidco and a share purchase agreement dated August 7, 2015 between, *inter alios*, certain employee shareholders of Metis Bidco Limited and Simon Bidco;
- ''Lowell Holding'' means Lowell Holding GmbH (previously Garfunkel Holding GmbH);
- ''Milla Securitization'' means the securitization program by which GFKL Holdco, PCS and IBW sold certain NPLs to Milla Securitisation (No. 1) Limited, a special purpose company established in Jersey, see ''*Description of Certain Financing Arrangements—Milla Securitization*;''
- ''New Luxco'' means Garfunkelux PBA S.à r.l., a private limited company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 200.498;
- ''Note Guarantees'' means, collectively, the guarantees of the Notes to be provided by each of the Guarantors;
- ''Notes'' means the Floating Rate Senior Secured Notes offered hereby;
- ''October 2015 Indentures'' means, collectively, the October 2015 Senior Notes Indenture and the October 2015 Senior Secured Notes Indenture;
- ''October 2015 Senior Notes Indenture'' means the indenture dated October 19, 2015 governing the Existing Senior Notes by and among, *inter alios*, the Parent as issuer, the Issuer as an initial guarantor and the Trustee as trustee and security agent, as amended or supplemented from time to time;
- ''October 2015 Senior Secured Notes Indenture'' means the indenture dated October 19, 2015 governing the Existing 2022 Sterling Notes by and among, *inter alios*, the Parent as initial guarantor, the Issuer as issuer and the Trustee as trustee and security agent, as amended or supplemented from time to time;
- ''Offering'' means the offering of the Notes pursuant to the Offering Memorandum;
- ''OTPP'' means the Ontario Teachers' Pension Plan Board;
- ''PCS'' means Proceed Collection Services GmbH, an operating subsidiary of GFKL Holdco;
- ''Parent'' means Garfunkelux Holdco 2 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg;

- ‘‘PayProtect Services’’ means our historical risk management service offered to e-commerce clients in the DACH Division, which provides credit checks and creditworthiness information as well as purchases certain debt at face value and which is no longer marketed;
- ‘‘Permira’’ or ‘‘Permira Funds’’ has the meaning ascribed to ‘‘Permira V Fund’’ under ‘‘*Description of the Notes*;’’
- ‘‘Person’’ means an individual, corporation (including a business trust), company, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof;
- ‘‘Proceeds Loan Amendment and Restatement’’ means the prospective amendment and restatement of the Existing 2021 Additional Proceeds Loan Agreement on or about the Issue Date to amend certain terms thereof, including to update certain references to the Existing 2021 Euro Notes (and related documentation) to refer to the Notes (and related documentation) and to extend the maturity of the Existing 2021 Additional Proceeds Loan to the maturity date of the Notes;
- ‘‘Qualified Purchaser’’ or ‘‘QP’’ means a Person who is a ‘‘qualified purchaser’’ as defined in Section 2(a)(51)(A) of the Investment Company Act;
- ‘‘Revolving Credit Facility’’ means the revolving credit facility of €200 million made available under the Amended and Restated RCF Agreement;
- ‘‘Revolving Credit Facility Agreement’’ means the revolving credit facility agreement originally dated June 29, 2015, among, *inter alios*, Lowell Holding, as borrower, and Goldman Sachs Bank USA, Citigroup N.A. London Branch, Credit Suisse AG, London Branch, ING Bank, a Branch of ING-DiBa AG and JP Morgan Chase Bank N.A., London Branch, as arrangers, which was amended and restated on August 18, 2015 pursuant to, and in accordance with the terms of, the amendment and restatement agreement among, *inter alios*, the Issuer, the Parent, Simon Bidco, Simon Midco, Simon Holdco, Citibank N.A., London Branch, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG and JPMorgan Chase Bank N.A., London Branch, and as may be further amended and/or restated from time to time;
- ‘‘Security Agent’’ means Citibank, N.A., London Branch;
- ‘‘September 2016 Senior Secured Notes Indenture’’ means the indenture dated September 28, 2016 governing the Existing 2021 Sterling Notes by and among, *inter alios* the Issuer as issuer and the Trustee as trustee and security agent, as amended or supplemented from time to time;
- ‘‘Simon Bidco’’ means Simon Bidco Limited, a company incorporated under the laws of England and Wales (Registration Number: 09709443) that is a direct subsidiary of Simon Midco, together with its successors and assigns;
- ‘‘Simon Holdco’’ means Simon Holdco Limited, a company incorporated under the laws of Jersey (Registration Number 119216) that is a direct subsidiary of the Issuer, together with its successors and assigns;
- ‘‘Simon Midco’’ means Simon Midco Limited, a company incorporated under the laws of England and Wales (Registration Number: 09722126) that is a direct subsidiary of Simon Holdco, together with its successors and assigns;
- ‘‘SIR’’ means Sirius Inkasso GmbH, an operating subsidiary of GFKL Holdco;
- ‘‘T-Shares’’ means shares or beneficiary units in certain Group entities, namely units in the Parent and the Issuer and shares (‘‘PBA Shares’’) in Lowell Holding, GFKL Holdco, Simon Holdco, Simon Midco and Simon Bidco, that entitle the holder to nominal or no dividends and will carry certain voting rights, which the holder thereof has agreed to vote in accordance with the shareholders’ agreement governing Garfunkelux Holdco 1 S.à r.l. (the ‘‘Shareholders Agreement’’);
- ‘‘Tesch’’ means DC Holding GmbH, a limited liability company incorporated under the laws of Germany, registered in the Commercial Register of the local court of Cologne under HRB 76434;
- ‘‘Tesch Group’’ means Tesch and its direct and indirect subsidiaries;
- ‘‘Transactions’’ means each of the transactions and processes described in ‘‘*Summary—The Transactions*’’;

- ''Trustee'' means Citibank, N.A., London Branch in its capacity as trustee under the terms of the Indenture and the Existing Indentures, as applicable, and any successor trustee under any or all of the Existing Indentures or the Indenture;
- ''UK Division'' means Metis Bidco Limited and its consolidated direct and indirect subsidiaries;
- ''UK Division Financial Year 2014'' means the 12-month period from October 1, 2013, to September 30, 2014, corresponding to the consolidated financial statements of Metis Bidco Limited as of September 30, 2014, and for such 12-month period;
- ''UK Division Financial Year 2015'' means the 15-month period from October 1, 2014 to December 31, 2015 corresponding to the consolidated financial statements of Metis Bidco Limited as of December 31, 2015 and for such 15-month period;
- ''UK GAAP'' means accounting principles generally accepted in the United Kingdom; and
- ''ZYK'' means ZYKLOP INKASSO DEUTSCHLAND GmbH, an operating subsidiary of GFKL Holdco.

Information contained on any website referenced in this Offering Memorandum is not incorporated by reference in this Offering Memorandum and is not part of this Offering Memorandum.

GLOSSARY OF SELECTED TERMS

Term	Definition
''3PC''	third-party collection services business or third-party collection
''Backbook''	all of the debt portfolios owned by the Group, as indicated by context, at a given time
''BPO''	business process outsourcing, which refers to the practice by which a business contracts out certain operations to a third-party service provider
''CCA''	Consumer Credit Act 1974, as amended
''CMS''	credit management services
''complaint ratio''	the ratio of the number of complaints filed divided by the number of accounts
''Credit File''	a consumer's credit history held by a credit bureau
''crossover rate''	the proportion of accounts in a debt portfolio being reviewed for purchase that can be matched to consumer data already held
''CSA''	UK Credit Services Association
''consumer''	a person who has defaulted on a credit account that subsequently became the subject of third-party debt collection efforts or was sold to a debt purchaser
''DCA''	a debt collection agency
''DP''	debt purchase
''DPA''	Data Protection Authority
''Dual Bureau''	a facility for making a search with a second credit bureau
''EIR''	effective interest rate
''FCA''	UK Financial Conduct Authority
''financial services''	means the banking and non-retail home credit sectors in relation to the UK Division and, in relation to the DACH Division, the banking sector (comprising ''credit'' banks, ''savings'' banks and ''cooperative'' banks), as described in ''*Industry and Market Data—Overview of Key Market Sectors*''
''FOS''	UK Financial Ombudsman Service
''FTE''	full-time equivalent employee
''GRC''	Governance, Risk and Compliance Cockpit, a risk management and reporting tool employed by GFKL Holdco for compliance management
''Gross Collections''	actual amounts collected from purchased debt portfolios including put-backs and consideration received for the sale of our own portfolios and, in the case of our DACH Division, after tax payments for VAT and insurance. Gross Collections are only from unsecured portfolios unless otherwise specified
''Gross Money Multiple'' . .	The sum of Gross Collections and the respective ERC from our UK Division's or our DACH Division's purchased debt portfolios divided by the purchase price of the relevant purchased debt portfolios. In the case of our DACH Division, the Gross Collections used to calculate Gross Money Multiple include only collections from unsecured portfolios
''ICO''	UK Information Commissioner's Office
''IRR''	internal rate of return is the discount rate used to calculate the value of purchased debt portfolios for our DACH Division

Term	Definition
‘‘IVR’’	interactive voice response, a technology associated with communications systems that allows for automated processing of a caller’s spoken input
‘‘large, well-known companies’’	large, well-known companies are companies that have in excess of €50 million (in relation to the DACH consumer credit market) or £50 million (in relation to the UK consumer credit market) in annual revenue and are well-known beyond their region of operation
‘‘LIMA’’	the consumer intelligence and automated tracing system used by our UK Division.
‘‘Net Promoter Score’’	the metric produced by a standardized survey, the Net Promoter Score Survey, which measures the strength of a company’s consumer relationships
‘‘NPLs’’	non-performing loans and receivables
‘‘OFCOM’’	UK Office of Communications Services
‘‘OFT’’	UK Office of Fair Trading
‘‘originators,’’ ‘‘debt originators,’’ ‘‘vendors’’ or ‘‘clients’’	financial institutions or other initial suppliers of credit to consumers, certain of which entities choose to sell or outsource collections on non-performing accounts receivables related thereto to receivables management companies
‘‘paying consumer’’	a paying consumer is one who has made a payment (any payment) within the last 90 days. That payment could have been made to the original creditor, a debt collection agency or a debt management company. In this context, ‘‘any payment’’ includes one-off payments and set-up payments; the important qualifier is that the consumer has demonstrated a proclivity to pay
‘‘PPI’’	payment protection insurance, an insurance product (often sold at the time of debt origination) that enables the person assuming the debt to ensure its payment despite impairment of his or her ability to pay due to various circumstances enumerated in the policy
‘‘put-backs’’ or ‘‘recourse’’	consumer accounts that differ from the characteristics specified in a purchase contract and that we typically sell back to the debt originator at the purchase price or, depending on the contractual arrangement, at a subsequently negotiated price
‘‘restricted cash’’	restricted cash means payment transfer obligations out of the 3PC business that existed as of the respective balance sheet dates
‘‘retail’’	the home retail credit sector in relation to our UK Division and e-commerce and retail sectors in relation to our DACH Division, as described in ‘‘*Industry and Market Data—Overview of Key Market Sectors*’’
‘‘SAS’’	the business intelligence, data mining and automation product, as described in ‘‘*Our Business—Decision Science—Our UK Division’s Decision Science*’’
‘‘SCOR’’	UK Steering Committee on Reciprocity
‘‘SMEs’’	small and medium-sized enterprises
‘‘timing difference’’	the difference between the amount of portfolio purchases reported for a period and the amount of cash payments made in relation to portfolio purchases in such period, unless otherwise indicated or where the context otherwise requires
‘‘trace’’ or ‘‘tracing’’	the action of attempting to find the correct contact details of a consumer who owes a debt. Tracing is based on significant information analysis. It can be done manually or using multiple raw data sources and automated logic sequences

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Issuer is a holding company formed for the purpose of facilitating the GFKL Acquisition and the Lowell Acquisition along with other future potential transactions. After giving effect to the Transactions, the Issuer's only material assets and liabilities are expected to include its interests in the issued and outstanding shares of Lowell Holding and Simon Holdco, its outstanding indebtedness under the Notes, the Existing Sterling Notes and the Existing 2022 Euro Notes, the Revolving Credit Facility, intercompany receivables under certain intercompany loans related to the Lowell Acquisition and the GFKL Acquisition and inter-company balances incurred in connection with the transactions described in the Offering Memorandum.

The Group

The historical financial information included in this Offering Memorandum for the Group is that of the Parent and its consolidated subsidiaries. Consolidated reporting for the Group has been carried out at the Parent since it was incorporated on June 1, 2015. However, the Parent had no operations, and thus no financial results, until the GFKL Acquisition was completed on June 30, 2015 (the ''**GFKL Acquisition Completion Date**''). For the period beginning on the GFKL Acquisition Completion Date until the completion of the Lowell Acquisition on October 13, 2015 (the ''**Lowell Acquisition Completion Date**''), the financial results of the Parent only reflect our DACH Division's operations. Thereafter, the Parent's consolidated financial results reflected both our UK Division's and our DACH Division's operations. In May 2016, our DACH Division acquired IS Group Management GmbH (together with its subsidiaries), and its results have been consolidated with the Parent's beginning June 1, 2016. In September 2016, our DACH Division acquired DC Holding GmbH (''**Tesch**''), and its results have been consolidated with the Parent's beginning October 1, 2016. On October 10, 2016, our DACH Division acquired Apontas GmbH & Co KG (''**Apontas**''), and its results have been consolidated with the Parent's beginning October 1, 2016 as if the acquisition had occurred on that date. Due to the accounting impact of these acquisition transactions and consolidation of the operating results of the businesses acquired in 2016, our Group's results as of and for the year ended December 31, 2016 are not directly comparable to those for prior years.

This Offering Memorandum includes and presents:

- the unaudited condensed consolidated interim financial statements of the Parent as of and for the six-month period ended June 30, 2017, including the notes thereto (the ''**Unaudited Group Interim Condensed Consolidated Financial Statements**''), which were prepared in accordance with IFRS on interim financial reporting (IAS 34);
- the audited consolidated financial statements of the Parent as of and for the year ended December 31, 2016, including the notes thereto (the ''**2016 Group Consolidated Financial Statements**''), which were prepared in accordance with IFRS and have been audited by KPMG Luxembourg; and
- the audited consolidated financial statements of the Parent as of December 31, 2015 and for the period from June 1, 2015 (date of incorporation) to December 31, 2015, including the notes thereto (the ''**2015 Group Consolidated Financial Statements**'' and, together with the 2016 Group Consolidated Financial Statements, the ''**Group Consolidated Financial Statements**''), which were prepared in accordance with IFRS and have been audited by E&Y Luxembourg.

In addition, this Offering Memorandum includes certain unaudited consolidated profit and loss information, as well as certain other financial and operating information, for the 12 months ended June 30, 2017. This information was derived by adding the condensed consolidated interim financial information of the Parent for the six months ended June 30, 2017 to the consolidated financial information of the Parent for the year ended December 31, 2016 and then subtracting the consolidated interim financial information of the Parent for the six-month period ended June 30, 2016. This 12-month data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by our independent auditors.

UK Division

The historical and certain other financial data of the UK Division presented in this Offering Memorandum have been derived from Metis Bidco Limited's statutory historical consolidated financial statements, which are included elsewhere in this Offering Memorandum, except for the Strategic Reports and Directors' Reports that were filed as part of those financial statements and are not reproduced herein.

Metis Bidco Limited was incorporated on May 31, 2011 for the purpose of consummating its acquisition of Lowell Group Limited and its subsidiaries. The financial results for Metis Bidco Limited's 2014 financial year are presented as of September 30, 2014 and for the 12-month period from October 1, 2013 to September 30, 2014 (the ''**UK Division Financial Year 2014**'').

In 2015, Metis Bidco Limited changed its financial year end from September 30 to December 31 in order to align the financial reporting schedule to the calendar year end in contemplation of the Lowell Acquisition. Accordingly, the financial results for its 2015 financial year are presented as of December 31, 2015 and for the 15-month period from October 1, 2014 to December 31, 2015 (the ''**UK Division Financial Year 2015**''). As a result, the financial results for the UK Division Financial Year 2015 are not directly comparable to the previous year's financial results.

The historical financial information included in this Offering Memorandum for the UK Division is that of Metis Bidco Limited and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents:

- the audited consolidated financial statements of Metis Bidco Limited as of and for the 15 months ended December 31, 2015, including the notes thereto (the ''**UK Division 2015 Audited Consolidated Financial Statements**''), which were prepared in accordance with IFRS and have been audited by KPMG UK; and
- the audited consolidated financial statements of Metis Bidco Limited as of and for the 12 months ended September 30, 2014, including the notes thereto (the ''**UK Division 2014 Audited Consolidated Financial Statements**''), which were prepared in accordance with IFRS and have been audited by KPMG UK.

The UK Division 2015 Audited Consolidated Financial Statements and the UK Division 2014 Audited Consolidated Financial Statements are together referred to as the ''**UK Division Consolidated Financial Statements**.''

DACH Division

The historical financial information included in this Offering Memorandum for the DACH Division is that of GFKL Holdco and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents:

- a translation of the German language audited consolidated financial statements of GFKL Holdco as of and for the year ended December 31, 2015, including the notes thereto (the ''**DACH Division 2015 Audited Consolidated Financial Statements**''), which have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (''**E&Y Germany**'') in accordance with Section 317 German Commercial Code (*Handelsgesetzbuch)* (''**HGB**''), and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*); and
- a translation of the German language audited consolidated financial statements of GFKL Holdco as of and for the year ended December 31, 2014, including the notes thereto (the ''**DACH Division 2014 Audited Consolidated Financial Statements**''), which have been audited by E&Y Germany in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*).

The DACH Division 2015 Audited Consolidated Financial Statements and the DACH Division 2014 Audited Consolidated Financial Statements are together referred to as the ''**DACH Division Consolidated Financial Statements**.''

The DACH Division Consolidated Financial Statements included in this Offering Memorandum have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (*Handelsgesetzbuch).*

In 2014, the DACH Division acquired Deutsche Multiauskunftei GmbH and a 51% share in ITT. In the same year, the DACH Division disposed of Mulitgéstion Portfolio S.L. and SBL Mobilien GmbH and liquidated Universal Lease IberiaProperties, S.L. The financial results of these entities were excluded or included, as the case may be, in the DACH Division Consolidated Financial Statements from the date of their disposal or acquisition, respectively. Due to the accounting impact of these disposal and acquisition transactions and consolidation of the operating results of the acquired businesses, the DACH Division's results as of and for the years ended December 31, 2014 and 2015 are not directly comparable. Moreover, in November 2016 the DACH Division acquired the remaining interest in ITT. Since the DACH Division already controlled ITT in the years ended December 31, 2014 and 2015, the DACH Division included 100% of its results in the DACH Division 2014 Consolidated Financial Statements, the DACH Division 2015 Consolidated Financial Statements, and the Parent included 100% of its results in the 2016 Group Consolidated Financial Statements, as well as DACH Pro Forma Normalized Adjusted EBITDA and related metrics; however, during these periods, the DACH Division only owned 51% of the entire issued share capital of ITT, and was therefore only entitled to 51% of its profit distributions.

The DACH Division changed its accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement'' and adjusted the prior-year comparative figures as of and for the year ended December 31, 2014 retrospectively with effect to January 1, 2014 in the DACH Division 2015 Audited Consolidated Financial Statements. In the DACH Division 2014 Audited Consolidated Financial Statements, the DACH Division measured ''Non-performing loans and receivables acquired for settlement'' at fair value and recognized these financial instruments at fair value through profit or loss. As part of the integration in the Group and for ease of comparison with international competitors, the DACH Division recognized in the DACH Division 2015 Consolidated Financial Statements ''Non-performing loans and receivables acquired for settlement'' at amortized costs using the effective interest method. For additional information see Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements.

Non-IFRS Financial Measures

The Group

This Offering Memorandum contains non-IFRS measures and ratios for the Group, including Adjusted EBITDA and cash flow conversion, that are not required by, or presented in accordance with, IFRS. These non-IFRS measures are defined by us as set out below.

We define ''**Adjusted EBITDA**'' as cash collections on acquired portfolios plus other turnover, less collection activity costs and other expenses (which, together, equals servicing costs) and before exceptional items, depreciation and amortization.

We define ''**Cash flow conversion**'' as cash flow before interest, portfolio purchases, tax expense and capital expenditure as a percentage of Adjusted EBITDA for the period.

We define ''**Cash flow before interest, portfolio purchases, tax expenses and capital expenditure**'' as Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period.

We define ''**cash income**'' as the total revenue for the period adding back portfolio amortization and portfolio fair value release and deducting portfolio write up, lawyer service revenue and other revenue.

We define ''**Gross Collections**'' as actual amounts collected from purchased debt portfolios including put backs and consideration received for the sale of our own portfolios and, in the case of our DACH Division, after tax payments for VAT and insurance. Gross Collections are only from unsecured portfolios unless otherwise specified.

We define ''**net adjusted debt**'' as third-party debt less cash and cash equivalents excluding subordinated shareholder instruments included in the ''Non-current liabilities'' line item of the balance sheet and excluding restricted cash.

We define ''**other turnover**'' as income deriving from 3PC services.

We define ''**total revenue**'' as Gross Collections and other turnover.

We define ''**working capital**'' as the movement in trade and other receivables, trade and other payables and other net assets, including inventories, derivatives and provisions.

For reconciliations of the Group's collections on owned portfolios plus other turnover to Adjusted EBITDA and the Group's operating profit to Adjusted EBITDA, see ''*Summary—Summary Consolidated Financial and Other Information of the Group*.''

Our UK Division

This Offering Memorandum contains non-IFRS measures and ratios for our UK Division, including Adjusted EBITDA and cash flow conversion, that are not required by, or presented in accordance with IFRS. Our UK Division's non-IFRS measures are defined by our UK Division as set out below.

Our UK Division defines ''**Adjusted EBITDA**'' as collections on owned portfolios plus other turnover, less collection activity costs and other expenses (which, together, equals servicing costs) and before exceptional income, exceptional items, depreciation and amortization.

For reconciliations of our UK Division's collections on owned portfolios plus other turnover to Adjusted EBITDA and our UK Division's operating profit to Adjusted EBITDA, see ''*Summary—Summary Consolidated Financial and other information of our UK Division*.''

Our UK Division define ''**Cash flow conversion**'' as cash flow before interest, portfolio purchases, tax expense and capital expenditure as a percentage of Adjusted EBITDA for the period.

Our UK Division defines ''**Gross Collections**'' as actual amounts collected from purchased debt portfolios including put backs and consideration received for the sale of our own portfolios. Gross Collections are only from unsecured portfolios unless otherwise specified.

Our UK Division defines ''**Cash flow before interest, portfolio purchases, tax expenses and capital expenditure**'' as Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period.

Our UK Division defines ''**other turnover**'' as income deriving from 3PC services.

Our DACH Division

In addition, this Offering Memorandum contains a non-IFRS measure for our DACH Division, DACH Pro Forma Normalized Adjusted EBITDA, which is not required by, or presented in accordance with, IFRS. Our DACH Division's non-IFRS measure is defined by our DACH Division as set out below.

Our DACH Division defines ''**DACH Pro Forma Normalized Adjusted EBITDA**'' (which is included for consistency and for the convenience of the investors) as consolidated profit/loss for the period before profit/loss from discontinued operations, income taxes, interest and similar expenses, interest and similar income and depreciation, amortization and impairment expense, each as shown in the DACH Division Consolidated Financial Statements, before non-recurring and exceptional items plus *pro forma* adjustments to account for the full year effects of certain projected rental savings and further adjusted for NPL portfolio amortizations, changes in fair value of our purchased debt portfolios and direct write-offs related to our DACH Division's historical product PayProtect. Non-recurring and exceptional items include costs incurred in connection with certain restructurings and relocations, certain projects including projects in connection with its data analytics capabilities, provisions for contingent losses, acquisition-related corrections, provisions for VAT risks, the buyback of an issued promissory note, certain refinancing expenses, the sale of certain of our subsidiaries/affiliates, the proceeds from the sale of a secured portfolio, the release of certain provisions, the disposal and related litigation of our former subsidiary Domusvenda Holding SGPS S.A. and certain other adjustments. See ''*Summary—Summary Consolidated Financial and Other Information of Our DACH Division*.''

Our DACH Division uses DACH Pro Forma Normalized Adjusted EBITDA as a measure of operating cash flow generation and the liquidity of our DACH Division's business. DACH Pro Forma Normalized Adjusted EBITDA is not a measure of financial performance calculated in accordance with IFRS and should be viewed as a supplement to, not a substitute for, our DACH Division's results of operations presented in accordance with IFRS. For a reconciliation of our DACH Division's consolidated profit/loss for the period to DACH Pro Forma Normalized Adjusted EBITDA, see ''*Summary—Summary Consolidated Financial and Other Information of Our DACH Division*.''

Our DACH Division defines ''**Gross Collections**'' as actual amounts collected from purchased debt portfolios including put backs and consideration received for the sale of our own portfolios and after tax payments for VAT and insurance. Gross Collections are only from unsecured portfolios unless otherwise specified.

General

We present non-IFRS measures because we believe that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or be used as a substitute for an analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to consolidated profit/loss for the year or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. The non-IFRS measures have limitations as analytical tools. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments, on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and certain of these non-IFRS measures do not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that we eliminate in calculating Adjusted EBITDA, DACH Pro Forma Normalized Adjusted EBITDA and *Pro Forma* Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

Pro Forma Adjusted EBITDA, DACH Pro Forma Normalized Adjusted EBITDA and Adjusted EBITDA as used in this Offering Memorandum are not calculated in the same manner as ''Consolidated EBITDA'' is calculated pursuant to the Indenture governing Notes as described under ''*Description of the Notes*'' or for purposes of any of our other indebtedness.

Pro Forma Non-IFRS Measures

We have also presented the following *pro forma* measures in this Offering Memorandum:

''***Pro Forma* Adjusted EBITDA**'' is defined as Adjusted EBITDA further adjusted to include the Adjusted EBITDA contribution of the Tesch Group for the three months ended September 30, 2016 (in an amount of £2.7 million) (after which, the Tesch Group's results were consolidated with the Parent's results) as if the acquisition of the Tesch Group had been completed on July 1, 2016. See ''*Summary Consolidated Financial and Other Information of the Group—Pro Forma and Other Information*.'' Tesch does not report its financial results using IFRS, and its accounting policies and definitions of Adjusted EBITDA and cash income may differ from ours for the period from July 1, 2016 to September 30, 2016. See ''*Risk Factors—Risks Related to Our Business and Industry—Certain pro forma financial and other information included herein needs to be carefully considered*.'' *Pro Forma* Adjusted EBITDA is based on a number of assumptions and presented for illustrative purposes only and does not purport to indicate what the performance of our Group would have been had the acquisition of the Tesch Group taken place on July 1, 2016 nor is it intended to be a projection of future results. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in ''*Risk Factors*.''

''***Pro forma* total net debt**'' means the Notes, the Existing Sterling Notes and the Existing 2022 Euro Notes, amounts outstanding under our Revolving Credit Facility and the Milla Securitization (of which there are currently no senior loans outstanding), net of cash and cash equivalents (excluding any restricted cash) as of June 30, 2017 (after giving effect to the Transactions) as if the Transactions and the acquisition of the Tesch Group had occurred on July 1, 2016. *Pro forma* total net debt has been presented for illustrative purposes only and does not purport to represent what our total net debt would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our total net debt for any future period or our financial condition at any future date.

‘‘***Pro forma* cash interest expense**’’ reflects the estimated interest expense in respect of the Notes, the interest expense in respect of the Existing Sterling Notes and the Existing 2022 Euro Notes and any fees or interest payable under our Revolving Credit Facility for the 12-month period ended June 30, 2017 as if the Transactions and the acquisition of the Tesch Group had occurred on July 1, 2016. *Pro forma* cash interest expense excludes charges related to allocated debt issuance costs and hedging costs. *Pro forma* cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions and the acquisition of the Tesch Group occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

The *pro forma* non-IFRS measures, as identified above, have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, or other SEC requirements or IFRS standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* non-IFRS measures have been audited in accordance with any generally accepted auditing standards.

These *pro forma* non-IFRS measures are not measures based on any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial position or results or other indicators of our position or performance based on IFRS measures. The *pro forma* non-IFRS measures, as provided for in this Offering Memorandum, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our *pro forma* non-IFRS measures are calculated. Even though these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our position or results as reported under IFRS.

Non-Financial Operating Data

Certain key performance indicators and other non-financial operating data included in this Offering Memorandum are derived from management estimates, are not part of our financial statements or financial accounting records, and have not been audited by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS.

For certain of these key performance indicators and other non-financial operating data, for the year ended December 31, 2015, the data from our UK Division and our DACH Division were combined, without adjustment, assuming the Lowell Acquisition and the GFKL Acquisition had occurred on January 1, 2015 and does not include any data from IS Inkasso Service, Tesch or any other subsequent acquisition. This combined data is presented for illustrative purposes only. It does not purport to indicate what the performance of our Combined Business would have been had the Lowell Acquisition and the GFKL Acquisition taken place on January 1, 2015, nor is it intended to be a projection of future results. Future results may vary significantly from the results reflected in the following tables because of various factors, including those discussed in ‘‘*Risk Factors*.’’

Our UK Division’s accounting records and non-financial operating data are denominated in pounds sterling whereas our DACH Division’s accounting records and non-financial operating data are denominated in euro. Unless the relevant DACH Division data had already been reported by the Group in pounds sterling as part of its regular reporting, these data were translated from euros to pounds sterling to facilitate calculation of the pound sterling-denominated combined non-financial operating data that appear in this Offering Memorandum. For DACH Division data that had already been reported by the Group in pounds sterling, the conversion rates used at the time of translation were the applicable monthly reference rate based on the European Central Bank euro foreign exchange reference rates. For the remaining DACH Division data, the rate used was the applicable rate specified in the section entitled ‘‘*Exchange Rate Information*’’ unless otherwise indicated.

The key performance indicators and other non-financial operating data included in this Offering Memorandum are defined as follows:

We define Estimated Remaining Collections (‘‘**ERC**’’) as the expected future collections projected to be received on all of our purchased debt portfolios based on our forecasting models. As of today, our internal models forecast collections over a 120-month period for our UK Division and over a 180-month period for our DACH Division (in each case, except as otherwise specified). ERC projections for the Combined Business (the ‘‘**Group ERC**’’) were calculated by adding our UK Division’s ERC (based on a

120-month period) to our DACH Division's ERC (based on a 180-month period) translated into pounds sterling at the applicable rate. While the underlying methodologies our UK Division and our DACH Division use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for our UK Division and our DACH Division may not be directly comparable. These projections were prepared for illustrative purposes only and may differ from the forecast we use to calculate the carrying value of our acquired debt portfolios as recognized in the UK Division Consolidated Financial Statements and the DACH Division Consolidated Financial Statements. We believe that ERC and Group ERC represent important supplemental measures to compare our cash generating capacity with other companies in the receivables management industry, even though we can provide no assurance that we will achieve such collections within the specified time period, or at all. For more information about how we calculate ERC, see ''*Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations—Key Operating Metrics—Estimated Remaining Collections (''ERC'')*'' and ''*Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations*.''

We define ''**purchased debt**'' as all of our portfolios of non-performing unsecured loans and receivables acquired for settlement, including (i) those portfolios in respect of which we have the right to receive all future collections as a success fee and (ii) all portfolios included in the Milla Securitization, which we also recognize on the balance sheet.

Unaudited *Pro Forma* Condensed Consolidated Financial Information

As part of this Offering Memorandum, we present unaudited *pro forma* consolidated income statements of the Group for the year ended December 31, 2015, the six months ended June 30, 2015 and the twelve months ended June 30, 2016 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing Euro 2022 Notes in connection therewith as if they had been consummated on January 1, 2015 (together, including the pro forma notes, the ''**Unaudited *Pro Forma* Condensed Consolidated Financial Information**''). Please see ''*Unaudited Pro Forma Condensed Consolidated Financial Information*'' for additional information on such *pro forma* financial information and a description of the assumptions used in creating such *pro forma* financial information. The Unaudited *Pro Forma* Condensed Consolidated Financial Information was prepared on September 8, 2016 in connection with the offering of the Existing 2021 Euro Notes and has not been updated for any changes in assumptions. Pro forma financial information usually covers only a current interim period and the last completed financial year, at most, whereas the Unaudited *Pro Forma* Condensed Consolidated Financial Information included in this Offering Memorandum presents periods beyond the prior period as of the current date. The adjustments made in order to present the Unaudited *Pro Forma* Condensed Consolidated Financial Information have been made based on available information and assumptions that our management believes are reasonable. The Unaudited *Pro Forma* Condensed Consolidated Financial Information is for informational purposes only and does not necessarily present what our results would actually have been had the Lowell Acquisition and the GFKL Acquisition occurred on January 1, 2015, nor should it be used as the basis of projections of our results of operations or financial condition for any future period. The Unaudited *Pro Forma* Condensed Consolidated Financial Information has not been prepared in accordance with the rules or regulations of the SEC, and is not in compliance therewith or with any other comprehensive basis of preparation. Any reliance you place on this information should fully take this into consideration.

General

In respect of the audit reports relating to UK Division's annual financial statements reproduced herein, KPMG UK, the UK Division's independent auditor, provides: ''This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.''

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

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in ''*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations,*'' ''*Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations*'' and ''*Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations*'' are calculated using the numerical data in the Group Consolidated Financial Statements, the Unaudited Group Interim Condensed Consolidated Financial Statements, the DACH Division Consolidated Financial Statements, the UK Division Consolidated Financial Statements or the tabular presentation of other information (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof. With respect to financial information set out in this Offering Memorandum, a dash (''—'') signifies that the relevant figure is not available or not applicable, while a zero (''0.0'') signifies that the relevant figure is available but is or has been rounded to zero.

PRESENTATION OF INDUSTRY AND MARKET DATA

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain economic and industry data, market data and market forecasts set forth in this Offering Memorandum were extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include publicly available information about the consumer credit market and include, for instance, reports by PricewaterhouseCoopers and KPMG.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that these industry publications, surveys and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness.

While we accept responsibility for accurately summarizing the information from these external sources, and as far as we are aware and able to ascertain no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information.

Certain information in this Offering Memorandum, including without limitation, statements regarding the industry in which we operate, our position in the industry, our market share and the market shares of various industry participants, are based on our internal estimates and analyses and based in part on third-party sources.

We cannot assure you that our estimates or any of the assumptions underlying our estimates are accurate or correctly reflect our position in the industry. None of our internal surveys or information has been verified by any independent sources. Neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this information. All of the information set forth in this Offering Memorandum relating to the operations, financial results or market share of our competitors has been obtained from publicly available information or independent research. Neither we nor the Initial Purchasers have independently verified this information and cannot guarantee its accuracy.

Certain market share information and other statements presented herein regarding our position relative to our competitors are not based on published statistical data or information obtained from independent third parties, but reflects our best estimates. We have based these estimates upon information obtained from our clients, trade and business organizations and associations and other contacts in our industry.

In this Offering Memorandum, we refer to market positions based on our and our competitors' revenue. These claims are based on information we received from the aforementioned external sources or estimated internally based on the information available from the aforementioned external and other sources. Revenue recognition policies may differ among receivables management service companies and therefore the revenue figures may not be comparable. In addition, our competitors' businesses are subject to various legal requirements that may not be applicable to us and the rules and regulations we follow on revenue recognition may not apply to our competitors. We have not independently verified the accuracy or comparability of our competitors' revenue figures or our estimates thereof and potential investors should exercise caution with respect to comparative revenue figures presented in this Offering Memorandum. See ''*Industry and Market Data*.''

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as U.S. dollars per £1.00.

	Period end	Average	High	Low
	U.S. dollars per £1.00			
Year				
2012	1.6242	1.5852	1.6276	1.5295
2013	1.6566	1.5646	1.6566	1.4858
2014	1.5581	1.6474	1.7165	1.5515
2015	1.4734	1.5282	1.5872	1.4654
2016	1.2345	1.3549	1.4810	1.2158
2017 (through September 5)	1.3018	1.2696	1.3238	1.2068
Month				
March 2017	1.2319	1.2343	1.2563	1.2153
April 2017	1.2950	1.2637	1.2950	1.2385
May 2017	1.2890	1.2923	1.3023	1.2796
June 2017	1.3008	1.2807	1.3008	1.2625
July 2017	1.3190	1.2994	1.3190	1.2849
August 2017	1.2894	1.2955	1.3238	1.2790
September 2017 (through September 5)	1.3018	1.2965	1.3018	1.2919

The following table sets forth, for the periods indicated below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as euros per £1.00.

	Period end	Average	High	Low
	euro per £1.00			
Year				
2012	1.2307	1.2333	1.2863	1.1789
2013	1.2014	1.1777	1.2328	1.1431
2014	1.2874	1.2411	1.2874	1.1912
2015	1.3559	1.3775	1.4399	1.2726
2016	1.1703	1.2202	1.3645	1.0983
2017 (through September 5)	1.0936	1.1487	1.1968	1.0758
Month				
March 2017	1.1724	1.1554	1.1724	1.1406
April 2017	1.1879	1.1797	1.1968	1.1662
May 2017	1.1471	1.1692	1.1907	1.1448
June 2017	1.1397	1.1399	1.1540	1.1297
July 2017	1.1168	1.1278	1.1415	1.1125
August 2017	1.0853	1.1497	1.1942	1.0758
September 2017 (through September 5)	1.0936	1.0910	1.0936	1.0866

The average rate for a year means the average of the daily Bloomberg Composite Rates (London) during that year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates (London) during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate is a ''best market'' calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate.

For the purposes of converting certain DACH Division operating data from euro to pounds sterling, rates used for 2003 to 2009 have been sourced from Capital iQ, rates used for 2010 through 2014 are based on Bloomberg Composite (London) rates and the rates used for 2015, 2016, the six months ended

June 30, 2016, the 12 months ended June 30, 2017 and for the six months ended June 30, 2017 are derived from the European Central Bank euro foreign exchange reference rates.

Year	Period End	Average
	euro per £1.00	
2003	1.415	1.445
2004	1.415	1.473
2005	1.451	1.462
2006	1.484	1.466
2007	1.361	1.461
2008	1.042	1.257
2009	1.127	1.122
2010	1.166	1.166
2011	1.196	1.152
2012	1.230	1.233
2013	1.201	1.177
2014	1.287	1.241
2015	1.356	1.377
2016	1.168	1.220
Six months ended June 30, 2016	1.209	1.285
12 months ended June 30, 2017	1.138	1.164
Six months ended June 30, 2017	1.138	1.163

The rates present the actual rates used in the preparation of the Group Consolidated Financial Statements and other financial information appearing in this Offering Memorandum. Neither we nor the Initial Purchasers represent that the pound sterling amounts referred to in the tables above could be or could have been converted into euro or, in the case of euro amounts, pounds sterling at any particular rate indicated or any other rate.

SUMMARY

This summary highlights certain information about us and the Offering described elsewhere in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Memorandum, including the Consolidated Financial Statements. You should read the entire Offering Memorandum carefully to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including, without limitation, the risks discussed under the captions ''Risk Factors'' and ''Forward-Looking Statements.''

Overview

We are one of the largest receivables management businesses in Europe by revenue and ERC on purchased debt portfolios and current outstanding face value of debt portfolios managed on behalf of third parties. We believe we are well positioned to expand into other European consumer credit markets and we believe our Group has strong growth prospects in the two largest European consumer credit markets (the UK and Germany). These growth prospects are supported by our clear core competencies: (i) longstanding and multifaceted client relationships built on differentiated strategies for originating new business; (ii) a broad business model that is diversified across product offerings, markets and sectors; (iii) a strong track record of return on capital and reliable portfolio pricing; (iv) a cash-generation capability featuring high predictability and visibility into future cash flows; and (v) a robust governance framework with a focus on reputation and compliance that we believe is embedded in our operational activity.

With respect to our debt purchase business, as of June 30, 2017, we had invested a total of £1.7 billion in the acquisition of 1,869 debt portfolios with an aggregate face value of £22.9 billion. As of June 30, 2017, the Gross Money Multiple for our purchased debt portfolios was 2.4x in our UK Division and 3.2x in our DACH Division (which is currently comprised of Germany, Austria, Switzerland, Croatia and Slovenia). We generated total revenue of £511.7 million, operating profit of £128.0 million and *Pro Forma* Adjusted EBITDA of £287.1 million for the twelve months ended June 30, 2017, which has consistently increased since 2015. For the year ended December 31, 2016, we generated total revenue of £454.2 million and operating profit of £109.8 million. Our Group ERC was approximately £2.0 billion as of June 30, 2017 (representing a consistent increase since 2015). We generated revenue from debt purchases of £334.0 million and from third-party collections (''**3PC**'') of £104.7 million for the twelve months ended June 30, 2017, excluding lawyer service revenue. For the year ended December 31, 2016, our revenue from debt purchases was £291.3 million and from 3PC was £82.9 million, excluding lawyer service revenue. As of June 30, 2017, we had £10.0 billion (as of June 30, 2016 £8.1 billion) in face value of third-party debt under management. For further information on third-party debt under management, see ''*Summary Non-Financial Operating Data of the Group—Key Performance Indicators and Other Operating Data for the Group.*'' For a discussion of how our UK Division and our DACH Division determine their respective number of portfolios purchased during a given period, see ''*Summary Non-Financial Operating Data of the Group—Portfolio Purchases Face Value of Purchased Debt & Gross Money Multiples by Vintage*,'' note 1. For a discussion of how we define *Pro Forma* Adjusted EBITDA and Group ERC, see ''*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures*'' and ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.''

We enjoy a leading position in the UK and Germany, our two core markets, built on the key capabilities of our UK Division and DACH Division, respectively. Following our acquisition of IS Group Management GmbH (''**IS Inkasso Service**'') in May 2016 and the Tesch Group in September 2016, we now also enjoy a leading position in Austria in 3PC services and benefit from a strong position in 3PC services in Germany, including a leading position in the utilities sector. We have built our reputation in the UK as a preeminent debt purchaser as a result of advanced decision science, the unique insights we derive from our comprehensive consumer information databases and our highly efficient operational platform. Best practices relating to our sophisticated pricing, decision science and cost-optimization experience are continuously shared across our business.

We believe the competitive advantages and competencies of each of our divisions represent industry best practice, allowing us to maintain our position as a preeminent player in the European receivables management services sector. As our combined business continues to develop, we expect to further capitalize on our strengths by: (i) delivering a multi-product, multi-service and pan-regional offering while maintaining clear pricing discipline; (ii) establishing an industry benchmark for operational excellence through investments in our one-stop service offering; (iii) maintaining our reputation for pioneering insights by continuously improving our IT, data and collection platforms through innovations and investment; (iv) continuing to take a best practices approach to our client relationships; and (v) continuing to invest in our employees and corporate culture.

Our History

Since the completion of the Lowell Acquisition in October 2015, our Group, which is controlled by Permira, historically operated through two entities: (i) Metis Bidco Limited and its consolidated direct and indirect subsidiaries, which operate in the UK, and (ii) GFKL Holdco and its consolidated direct and indirect subsidiaries, which operate primarily in Germany. As of April 2017, we rebranded the Group as ''Lowell'' and primarily operate at a Group level, with two divisions: our ''UK Division'' and our ''DACH Division.''

Headquartered in Leeds (UK) and Essen (DACH), the Group had 2,890 FTEs, as of June 30, 2017, of which 1,634 and 1,256 are part of the UK Division and DACH Division, respectively.

Our UK Division was established in 2004 and is a leading provider of receivables management services in the UK, the sole jurisdiction in which it operates. While our UK Division focuses mainly on debt purchase, it performs limited third-party collection services in several sectors and offers a growing selection of other receivables management services. Metis Bidco Limited and its consolidated direct and indirect subsidiaries are now contained within our UK Division following our rebranding in April 2017.

Our DACH Division was founded in 1992 and is a leading provider of receivables management services in Germany. In addition to Germany, the DACH Division has operations in Austria, Switzerland, Croatia and Slovenia. Our DACH Division is active across the full value chain of receivables management. GFKL Holdco and its consolidated direct and indirect subsidiaries are now contained within the DACH Division following our rebranding in April 2017.

Our Key Strengths

Leading Positions in Europe's Two Largest Consumer Credit Markets

The UK Division and DACH Division, our two market-leading and complementary operational divisions, operate primarily in the two largest consumer credit markets in Europe, the UK and Germany. The UK had approximately £201 billion and Germany had approximately £166 billion of consumer credit outstanding as of June 2017, according to the Bank of England and the European Central Bank, respectively. In addition, both the UK and Germany experienced increasing amounts of new consumer credit origination annually, with £260 billion and £84 billion in new flows, respectively, in 2016, according to Bank of England and Deutsche Bundesbank, respectively. In the UK, we are a leading purchaser of defaulted consumer debt portfolios as measured by purchased receivables under management. In the twelve months ended June 30, 2017, we invested £230.2 million to purchase debt portfolios with an aggregate face value of £1.5 billion in the UK. According to management estimates, we believe this investment represented approximately 30% of total debt portfolio purchases (including recessionary delayed sales) in the UK.

In addition, we believe that by focusing on a broad range of sectors, we are able to address a greater portion of all consumer credit volumes generated annually in the UK and Germany than we would be able to address with a less comprehensive approach. We are a market leader and a pioneer in servicing debt originators across multiple sectors. In the UK, for the twelve months ended June 30, 2017, we believe we had a market-leading share of debt portfolio purchases in each of the telecommunications sector, the retail sector and the low-balance segment of the financial services sector of the UK debt purchase market, as well as a top-tier position in the public sector of the UK third-party collection services market. In Germany, we believe we are the number three receivables management company by revenue. Additionally, we believe we hold market-leading positions in the insurance and fitness sectors and top-five positions in the financial services, telecommunications and utilities and top-ten positions in public and retail sectors according to management estimates. We have a strong track record of successfully entering new market sectors and gaining high market shares in those sectors, such as the telecommunications, retail and public sectors in the UK and the insurance and fitness sectors in Germany.

We believe our scale provides key benefits critical to our success. For example, we believe we are able to develop and maintain a superior operating platform, with highly skilled talent, customized IT systems and sophisticated analytical and data capabilities that drive pricing and debt-collection efficiencies. We believe our scale also enables us to absorb costs associated with legal obligations and regulatory oversight. Further, we believe our scale allows us to provide our clients with a comprehensive service offering capable of addressing our clients' needs throughout the debt recovery cycle. Due to our ability to provide a one-stop service offering, we believe we are able to better maintain and develop relationships with large debt originators than our smaller peers in the UK and DACH markets, and as a result, are better positioned, including with respect to the number of our owned consumer accounts, than our smaller peers for rapid growth in the consolidating UK and DACH markets.

Attractive Market Dynamics Supporting Growth and Profitability

We believe that the characteristics of the two core markets in which we operate are conducive to sustainable growth and profitability for our combined Group. Both the UK and Germany have historically benefited from stable macroeconomic conditions, including real GDP growth, low inflation, low interest rates and low unemployment levels. Although Brexit has caused uncertainty and we expect this uncertainty to persist over the short to medium term, we believe that the UK will continue to benefit from overall stable macroeconomic conditions. In addition, we believe that the legal and regulatory environment in each jurisdiction is strong and stable, which, in our view, fosters market stability. We believe that, despite any short-term uncertainty following Brexit, the UK will continue to have a stable legal and regulatory environment as it applies to our business. We also believe that the demanding nature of regulatory compliance in both the UK and Germany can be burdensome to small businesses and may therefore increase consolidation opportunities for large players in the receivables management market. In addition, we believe that Austria largely benefits from similar business and macroeconomic conditions as Germany.

Moreover, the markets in which we operate comprise a diverse range of sectors in which consumer debt is originated (*e.g.*, the financial services, insurance, retail, telecommunications, public and utilities sectors, among others). We believe we are able to develop business in this broad range of sectors in part because receivables management companies such as ours can provide certain benefits to debt originators across sectors, including consumer insights and cost reductions due to reduced administrative and labor costs, improved collection rates and a more professional approach to debt collection. Further, debt originators' outsourcing of the debt collection process yields the additional benefit for the debt originator of reducing management time devoted to what is typically a non-core activity, while also providing additional consistency in debt handling with a more robustly documented audit trail.

We expect loan sale activity to continue for the remainder of 2017. We believe that the consumer credit market in the UK has several distinctive features that make it attractive to receivables management companies like us. We believe that the UK is the largest consumer credit market in Europe with an estimated £201 billion of outstanding debt as of June 2017 according to the Bank of England. In addition, we believe that the UK has the largest consumer NPL markets in Europe by face value of defaulted debt sold annually. We believe that the UK consumer NPL market is consolidating around a small number of sophisticated and large-scale players, such as our UK business, which we believe are competitively advantaged to grow more quickly, and at higher levels of profitability, than their smaller peers. We believe such players have a number of structural advantages, including, for example, an ability to exploit more extensive consumer databases, a heightened capacity to absorb the burdens of an increasingly demanding compliance environment and an ability to more readily develop a comprehensive service offering for their clients. Moreover, management has observed a growing propensity on the part of UK debt originators to sell debt portfolios earlier in the recovery process, and we believe that their demand for other receivables management services throughout the credit cycle is likely to increase.

The consumer credit market in Germany is also distinguished by several features that, in our view, make it attractive to receivables management companies. We believe that Germany is the second largest consumer credit market in Europe, with an estimated £166 billion of outstanding debt as of June 2017 according to the European Central Bank. In addition, Germany boasts a large stock of overall defaulted debt and is also one of the largest consumer NPL markets in Europe by flow of newly created unsecured consumer defaulted debt. A diverse range of German businesses, from sectors such as financial services, fitness, retail and telecommunications, originates consumer credit from a diverse consumer base. These businesses use a varied set of collection methods to support the debt recovery process and typically outsource the majority of their receivables collections. Moreover, management has observed demand among German debt originators for BPO services and a willingness on the part of German debt originators to outsource collection in the early stages of the recovery process (for example, by as early as 45 days after the original payment due date). Since the German receivables management market is highly fragmented, with approximately 600 to 900 players, we believe that large players, such as the Group, have a competitive advantage due to their scale and the breadth of their client relationships. In addition, we believe that Germany has both a strong repayment culture and creditor-friendly laws and regulations, and that together these features create a favorable environment for debt collection. Creditors in Germany benefit from a long enforcement period against consumers, since the statutory limitation period in Germany for applying for and obtaining an enforcement title against consumers is generally three years and, once obtained, the enforcement title is valid for 30 years. Further, under German law, creditors are generally entitled to charge additional amounts to the consumer as damage caused by delayed payment, including default interest, the costs of third-party collection services and legal costs. Each of these factors has, in our view, helped to drive up the profitability of debt collection in Germany.

A Balanced Business Model with Significant Diversification Benefits

We operate a balanced and diversified business model in the two largest European consumer credit markets, with 81% and 19% of cash income in the twelve months ended June 30, 2017 generated from our debt purchase businesses and third-party collection services, respectively. For the year ended December 31, 2016, 83% and 17% of cash income was generated from our debt purchase businesses and third-party collection, respectively. During the twelve months ended June 30, 2017, we earned revenue from a wide client base with 62 different originators (excluding a one-off secondary purchase) for our debt purchasing business and 85 different originators for our third-party collection services. In addition, our client base encompasses clients in the financial services, insurance, retail, telecommunications, fitness, public and utilities sectors, among others. We believe we have the most diversified industry mix among our peers. For the twelve months ended June 30, 2017, our debt purchase gross collections split by industry was financial services (43%), retail (29%), telecommunications (24%), fitness (2%) and other (2%). As of June 30, 2017, our Group 120-month ERC split by industry was financial services (47%), retail (26%), telecommunications (23%), fitness (1%) and other (3%) (UK Division ERC split: 50% for non-financial services and 50% for financial services; DACH Division ERC split: 62% for non-financial services and 38% for financial services). As of June 30, 2017, our Group NPL acquisitions split by industry was financial services (39%), retail (36%), telecommunications (20%) and other (5%). We are able to provide these clients with a one-stop service offering that includes third-party collection services, risk management and BPO services. We believe this one-stop service offering helps us both to build strategic partnerships and to embed ourselves further in our clients' credit-management processes. For example, management has observed that our provision of third-party debt collection services can lead to debt purchases and help improve our debt portfolio modeling.

In addition to diversification, we believe our UK Division and DACH Division allow us to realize a number of key benefits that we expect will provide us with key competitive advantages. For the twelve months ended June 30, 2017, our UK and DACH Divisions contributed 62% and 38%, respectively, to our cash income. Since we make our investment decisions at the Group level, we believe we may have increased flexibility with respect to both originating new business and allocating capital across markets, sectors and clients to wherever the returns are most attractive. We believe that this increased flexibility enhances our adaptability and resilience in changing market trends and economic cycles. Moreover, since we have a higher volume of accounts, spread across a more diverse array of sectors and debt originators, we believe we are advantaged in our pricing accuracy and our ability to enhance the efficiency of our collection processes. Furthermore, we also enjoy a market leading position in Austria, as well as a meaningful presence in Switzerland, Croatia and Slovenia.

A Consumer-Centric Approach at the Core of our Business

Our collection rate is dependent on our ability to both understand consumers and to treat them fairly and with respect. We believe that by treating our consumers in this manner, and by ensuring regulatory compliance and maintaining a strong risk management discipline within our Group, we are able to maintain and foster a positive reputation. We believe that having a positive reputation is a key factor to our success as a debt servicing company.

Our UK Division has received numerous accolades for its strong track record with respect to the quality of its customer service. In addition, in 2016 and 2017, respectively, our UK Division received a Net Promoter Score of +39 and +47. We believe that this score demonstrates that our approach of working with consumers to agree on a mutually acceptable payment plan tailored to the consumer's personal circumstances results in positive consumer relationships. Our 2016 and 2017 Net Promoter Score is much stronger than that of many other financial services companies, which often fail to achieve a positive Net Promoter Score. Our Net Promoter Score also exceeded the scores received by most well-known retail banks in the UK, which we believe is particularly remarkable given our consumers do not choose to have their debt managed by the Group. This has been followed by a 'Gold Award' in 2017 (previous 'star' ratings have been replaced with bronze, silver and gold awards and Lowell was the first company to receive the Gold Award). Our DACH Division has also been recognized for its consumer service. We received the highest S&P Servicer Rating among German receivables management service providers in 2015.

These achievements are a product of our focus on risk management. Our risk management framework is grounded in our management structure, our processes and a ''three lines of defense'' risk-management (see ''*Our Business—Compliance and Risk Management*'' for a description of the ''three lines of defense'' model) that we believe mirrors the highest risk-management standards in the financial services markets in which we operate. We have implemented our risk-management approach with oversight from our Group's internal audit function. Compliance is at the heart of our Group's operations. We believe that we have a strong track record with respect to consumer complaints in both the UK and Germany. For example, for the twelve months ended June 30, 2017, the FOS-filed complaint ratio in our UK Division was low, with 25.5 cases filed per one million active financial services accounts. In our DACH Division (excluding the Tesch Group), we received, on average, only 0.00273% new consumer complaints per year as a percentage of active accounts for the six months ended June 30, 2017.

We believe the decision science that underlies our collection techniques contributes to our ability to manage compliance and reputational risk. We further believe that our focus on and extensive experience in compliance and risk management resonate well with debt originators and provide us with a competitive advantage in the UK and DACH regulatory environments, which, though different in their particular legal frameworks and regulations, are similarly well-developed, robust and stable. It is our view that the well-developed nature of such environments provides us with a competitive advantage and favors strong market participants, such as our Group, which has the scale and experience necessary to meet demanding compliance requirements.

Competitive Advantage Embedded in Sophisticated Data Analytics

The Group is supported by what we believe to be industry-leading IT and data platforms in our markets, which we are continuously investing in to build a scalable platform. Through our consumer database, which we believe to also be industry-leading (we currently hold data on one in five UK Division consumers over the age of 18, and one in seven German consumers), we have developed proprietary behavioral and asset valuation models, custom software applications and a variety of other business tools. Our systems are technologically sophisticated, highly automated and driven by data derived from our databases of owned and serviced consumer portfolios in the UK and DACH markets, and we believe that we have the largest databases in each of the UK and Germany. As of June 30, 2017, our systems held data derived from the transactional records of some 27.4 million consumer accounts contained in 1,869 NPL portfolios. Since we have historically favored low-balance consumer accounts, we believe we have been able to accumulate a higher volume of consumer accounts per portfolio purchased than competitors that favor consumer accounts with higher balances. Moreover, we believe that our data systems benefit from a virtuous circle that further strengthens our informational advantage relative to that of our competitors: in our experience, the more debt portfolios we service or purchase, the more data and collection experience we derive and the more accurate our tracing and pricing systems become. We also believe that our systems' increasing sophistication has the additional benefit of making them increasingly difficult to replicate.

Our IT and data platforms are subject to an ongoing process of improvement and innovation, which we support with ongoing investment. We believe that our sophisticated and scalable IT and data platforms, in which we have made robust investments, provide significant competitive advantages. In our experience, our automated pricing models and tracing systems have helped to increase the accuracy with which we price both debt portfolios and third-party collection service contracts, thereby increasing our chance to win a bid at the right price while reducing our downside risk on the purchased debt portfolio or signed contract. We believe that our data platforms enable us to pursue more sophisticated collection strategies, which in turn lead to increased collection efficiency and reduced collection costs. Further, we believe our sophisticated IT and data platforms allow us to compete effectively in sectors in which our peers struggle to generate sufficient returns, in particular in low-balance sectors such as retail, telecommunications and utilities.

Strong Track Record of Return on Capital and Portfolio Pricing Through the Cycle

We believe that we have a track record of strong and stable return on capital supported by continuous improvement in decision science and the use of feedback from our collection operations. Our aggregate Gross Money Multiple on portfolios purchased as of June 30, 2017 was 2.4x in our UK Division and 3.2x in our DACH Division, and our Gross Money Multiples, other than in the financial services sector, often exceed these aggregate figures. Moreover, since we make investment decisions at the Group level, we believe that we are able to deploy our capital across our UK Division and DACH Division to wherever returns are most promising, which we believe contributes to our ability to maintain high returns on capital. We believe that continuous improvement in decision science and leveraging feedback from collection operations have helped our UK Division and DACH Division strengthen their underwriting, resulting in a narrower disparity between forecasted and actual returns. Our historical actual collections compared to forecast collections demonstrates our accurate and disciplined yet prudent forecasting. Even during more challenging economic environments, such as the 2007 to 2010 financial crisis, our actual collections exceeded our forecasted collections. Our Group's actual collections were 100% of our forecasted collections for the twelve months ended December 31, 2015 and 104% of our forecasted collections for the twelve months ended December 31, 2016. Our Group's actual collections were 105% of our forecasted collections for the six months ended June 30, 2017.

We believe that our disciplined approach to portfolio pricing has helped us to avoid overbidding on debt portfolios. Our portfolio pricing process begins with a rigorous and extensive due diligence and valuation exercise, which may involve, among other things, building a synthetic debt portfolio with actual performance data and similar consumer characteristics and/or performing on-site file testing to assess the underlying quality of the debt portfolio before submitting our final bid. Our due diligence and valuation methods benefit from the market-leading scale of our data, our sophisticated and automated data systems and our experienced and skilled portfolio pricing specialists. Our ability to leverage our own data and our specific expertise and databases from comparable portfolios across many sectors minimizes risk and helps to ensure accurate pricing bolstered by strong in-house analytical capabilities. Upon the successful completion of due diligence, a debt portfolio is subject to a clear and systematic internal review and approval process culminating in a decision to either approve or reject the proposed portfolio investment.

High Visibility into Future Cash Flow Generation

Our debt portfolio purchase business provides excellent visibility into future earnings, as well as substantial cash-flow generation backed by a significant asset base. Although our ERC metrics extend for 120 months and 180 months for the UK Division and DACH Division, respectively, a majority of our collections occur within the first 48 months. We expect approximately 38% of our Group 120-month ERC to be generated within the next 24 months and approximately 62% to be generated within the 48-month period. As of June 30, 2017, we owned 1,869 debt portfolios and our Group ERC was £1,973.1 million. To date we have invested £1.7 billion in defaulted debt portfolios, resulting in an aggregate Gross Money Multiple on portfolios purchased as of June 30, 2017 of 2.4x for our UK Division and 3.2x for our DACH Division. For a discussion of how we determine the number of portfolios purchased during a given period, see ''*Summary Non-Financial Operating Data of the Group—Portfolio Purchases Face Value of Purchased Debt & Gross Money Multiples by Vintage*,'' note 1. In addition, we believe that our Group ERC forecast is reliable and resilient, a significant proportion of our future collections is tied to long-term repayment plans across a diverse range of portfolios. We believe we take a cautious approach to repayment by attempting to establish recurring payment methods with lower rates of default, such as direct debits and continuous payment authorizations on debit and credit cards.

In addition, we believe that the multi-year nature of our forward flow agreements helps to provide us with visibility into new business origination and expected returns. In the twelve months ended June 30, 2017, 44% by total purchase price for our UK Division's debt portfolio purchases came from forward flow agreements, which were entered into with 14 debt originators and carried fixed terms for up to five years. As of June 30, 2017, we had sight of forward flow agreements that are at least £275 million for the next five years. In the four years ended June 30, 2017, 50% of our UK Division's re-tendered forward flow agreements have been renewed at least once. Forward flow agreements accounted for 45% of our DACH Division's debt portfolio purchases by total purchase price in the twelve months ended June 30, 2017, and on Group level, our forward flow purchases for the twelve months ended June 30, 2017 have increased as compared to the twelve months ended June 30, 2016.

In addition, we believe that the volume of debt portfolios we purchase from repeat clients (*i.e.*, clients with which we previously concluded a spot purchase or forward flow agreement) helps to strengthen our visibility into new business and future cash flow generation. Repeat clients accounted for approximately 82% of the total price paid for our UK Division's purchased debt portfolios and 82% of the total price paid for our DACH Division's purchased debt portfolios in the twelve months ended June 30, 2017. In addition, our portfolio purchases for the twelve months ended June 30, 2017 have increased as compared to the twelve months ended June 30, 2016. We believe that our significant asset base of debt portfolios is capable of continuing to yield predictable cash flows. Most of the payments on our portfolios are made through payment plans.

Our DACH Division's third-party collection services business is also cash generative and typically enables us to scale our business without requiring significant incremental investments. We believe that the contractual arrangements in our DACH Division's third-party collection services business, which are both stable and of increasing durations (notably for contracts with large, well-known clients), provide visibility into future collections, the fees we derive from them as well as associated cash-flow generation. As a Group, our third-party collections for the twelve months ended June 30, 2017 have increased as compared to the twelve months ended June 30, 2016.

Our Adjusted EBITDA was £284.4 million for the twelve months ended June 30, 2017, and our operating profit was £109.8 million for the year ended December 31, 2016. For more information regarding Adjusted EBITDA and cash conversion, see ''*Presentation of Financial and Other Information—Non-IFRS Measures*.''

Management Team Supported by Skilled and High-Quality Business Professionals

We are managed by a strong executive team, which comprises individuals with many years of relevant experience and provides leadership across all functional areas of our business. In particular, we believe that our combined business will have one of the most experienced senior management teams among European receivables management companies. For example, our CEO served as CEO of our UK business since it was established in 2004, and our CFO has over 21 years of relevant senior management experience in financial services.

In addition, strong teams of qualified professionals, who are drawn from the wider financial services industry and other large corporate entities involved in consumer outreach, support our senior management team by performing central business functions and assisting in the execution of our strategy. These skilled managers are supported by a workforce of approximately 2,890 FTEs as of June 30, 2017. We continuously invest in our employees with sustained efforts to create an inclusive and staff-friendly work environment and to provide meaningful career-development opportunities.

Our combined corporate governance structure is intended to provide strong oversight and to support decision-making while retaining the entrepreneurial spirit and market specific knowledge required to extend our strong track record of growth and profitability. Our executive teams have established compliance frameworks, operational procedures and governance structures, supported by a number of proprietary systems, to enable us to conduct business in accordance with applicable rules, regulations and guidance.

Our Strategy

Develop Sustainable Competitive Advantage in Chosen Markets Facilitate Continued Growth

Our strategy is ultimately to become the leading multi-product and multi-service provider of receivables management services in our chosen markets. We believe that we have proven that the separate but complementary sets of competitive advantages possessed by our two core divisions are essential to helping us achieve this objective. Our UK Division is a leader in the UK receivables management market and possesses one of the most sophisticated debt purchase platforms in Europe. Our DACH Division is a leading player in the DACH debt purchase and third-party collection services markets and provides our clients with a diversified service offering that harnesses our expertise in a range of receivables management services, including BPO and risk-management services. By sharing best practices within the Group and utilizing our complementary competencies in debt purchasing and outsourced credit services, we believe the strength of each of our UK Division and DACH Division enables us seize new opportunities to help us expand our offering both geographically and throughout several key market sectors.

Our pricing discipline and systematic, objective pricing processes remain an integral part of our strategy and lay the foundation for us to build a sustainable competitive advantage. We believe that as a result of our pricing discipline, among other factors, we have been able to grow our asset base and profits, notwithstanding the changing economic environment, and have maintained stable, strong and predictable overall return on capital across our sectors. We plan to continue to invest in our pricing methodologies and capitalize on the virtuous circle by which the consumer profiles and collections data we gather each month continuously add to the accuracy and sophistication of our systems and models. Moreover, since we make investment decisions at the Group level, we believe we are able to deploy our capital across our UK Division and DACH Division to wherever returns are most promising, which we believe contributes to our ability to maintain high returns on capital.

Establish an Industry Benchmark for Operational Excellence Through a Diversified One-Stop Offering

We believe that debt originators are increasingly seeking a holistic, cost-efficient and fully compliant approach to receivables management. To address this growing need, we aim to continue to develop our one-stop service offering, a differentiated services offering that addresses each step of the debt recovery cycle and thereby helps us to further embed our operations within those of our clients. We intend to diversify our one-stop service offering in a number of ways, including, for example, by further capitalizing on our DACH Division's experience in BPO and carve-out transactions. Moreover, we have a strong track record of opening new sectors to the receivables management market, and we seek to continue to build relationships with entities that have not previously sold debt portfolios or purchased receivables management services. For example, Interlaken, our third-party collection services platform in the UK, has enabled us to enter the public sector market, since it is one of a select group of debt collection agencies chosen by HM Revenue & Customs, the UK's tax and customs authority, to provide collection services for central government departments. We currently operate primarily in the UK, Germany and Austria, with a meaningful presence in Switzerland, Croatia and Slovenia. Our geographic diversity means that we are in a position to fully leverage our geographic footprint by launching products which have been successful in one market into our other markets. Our longstanding client relationships and high volumes of data in our core UK and DACH markets, along with our meaningful presence throughout our other markets, contribute to our ability to anticipate our clients' changing needs while identifying new market opportunities.

Our strategy is focused on building our current share of the receivables management markets in the UK and the DACH region by continuing to work closely with the main debt originators in each of our key sectors. We have adopted a proactive approach to managing our relationships with debt originators, with an emphasis on transparency and building longstanding professional relationships based on a granular understanding of a debt originator's business and receivables management services requirements. This local, specialized approach to our client relationships allows us to provide specialized offerings that have been tailored to reflect the consumer's individual needs.

Maintain Our Reputation for Pioneering Insights by Continuously Improving our IT, Data Analytics, Data Science and Collection Platforms through Innovations and Investment

We are continuously looking to improve our IT, data analytics, data science and collection platforms and processes and harmonize our core applications in order to strengthen our services offering and operate more efficiently. We aim to extend our strong track record of implementing incremental technological and collection process improvements, which have contributed to enhanced performance and increased efficiency throughout our business. For example, in the UK we are actively deploying technology, including the BLAZE software platform that allows us to pursue more customizable strategies, through which we are able to more closely tailor our contact to the consumer's unique circumstances. In addition, on a Group-wide basis we are implementing a multi-channel digital strategy to better connect with our consumers. We believe these initiatives will improve the efficiency of our operations platform through cost reductions, increased collections or a combination of these two effects. Sophisticated data analytics underpin our disciplined approach to pricing and investment decisions, which we believe are an integral part of our strategy and which differentiate us from our competition.

Consumer Focus and Relationships that Provide Long-Term Value Creation

We aim to continue our discipline of operating ethically, transparently and in compliance with all applicable rules, regulations and guidance. We intend to focus on providing a fair, understanding and consumer centric approach to our debt collection services. To that end, we intend to work with each consumer to develop a realistic and sustainable payment plan that is tailor-made to the consumer's circumstances and allows the consumer to restore his or her financial standing and continue to access mainstream credit products. To maintain and enhance this individualized approach to our consumers, we intend to continue to leverage our decision science capabilities in order to help ensure that the consumer profiles we build are as accurate and up-to-date as possible. We aim to communicate closely, clearly and transparently with the consumer and strive to understand their situation and circumstances. We believe that clear communication will enable us to have visibility with regard to the timing and profile of future collections.

As the legal and regulatory environments in which we operate continue to evolve, we intend to adapt our culture, practices and policies appropriately, while always seeking to be the model that others look to for compliance standards and best practices. Compliance is an increasingly important differentiating factor in our industry and in the markets in which we operate. We believe that our focus on compliance reassures our clients that their customers and reputations are in safe hands, and thus will give us a key competitive advantage going forward.

Continue to Invest in Our Employees and Corporate Culture

Our reputation is extremely important to us, both among our clients and among our employees. We search for people with enthusiasm, passion and commitment and when we find them, we invest in them heavily in order to deliver on our promises of connection, communication, development, involvement, recognition and reward. They create the culture that defines our business, protects our reputation and drives our performance, and they constitute the primary component of our consumers' experience. We strive to build a unique corporate culture in which our people are imbued with a sense of engagement and belonging. We believe that our focus on our people and our efforts to build a unique corporate culture help to drive our collection performance and contribute to our ability to provide an enhanced consumer experience.

Participate Opportunistically in Consolidation of our Industry when Accretive Opportunities Exist

We have a strong track record of selective and accretive expansion in the UK and Germany, as demonstrated by our acquisition of Interlaken in 2013, our acquisitions of ITT and DMA in 2014, our acquisition of IS Inkasso Service in May 2016, the Tesch Group in September 2016 and Apontas in October 2016. As our business continues to develop, we intend to continue to participate opportunistically in the consolidation of the European receivables management industry in order to build scale, address untapped consumer segments and create new relationships with debt originators. We intend to strategically pursue further carve-out transactions with current clients and credit-accretive bolt-on acquisitions. We will continue to apply our strong and disciplined approach to valuation in connection with these potential acquisitions.

The Transactions

We intend to use the proceeds from the issue of the Notes, together with cash on balance sheet, to (i) redeem all of the Existing 2021 Euro Notes, (ii) pay the accrued interest and the redemption premium for the Existing 2021 Euro Notes and (iii) pay fees and expenses in connection with the Transactions. See ''*Use of Proceeds*'' and ''*Capitalization*.''

On or about the Issue Date, the Issuer will redeem and satisfy and discharge all of the Existing 2021 Euro Notes by paying the redemption price for each of the Existing 2021 Euro Notes plus accrued and unpaid interest thereon to the date of redemption.

The Offering, the redemption of the Existing Euro 2021 Notes and the application of the use of proceeds as set out in the section ''*Use of Proceeds*'' are collectively herein referred to as the ''**Transactions**.''

Principal Shareholders

Permira Funds is a European private equity firm with a global reach. Permira, as adviser to the Permira Funds, has approximately 130 professionals in 14 offices worldwide: Frankfurt, Guernsey, Hong Kong, London, Luxembourg, Madrid, Menlo Park, Milan, New York, Paris, Seoul, Shanghai, Stockholm and Tokyo. Since 1985, it has raised €32 billion of committed capital across 15 buy-out funds. Over the last three decades, Permira Funds has completed over 200 transactions, investing across its five sectors: technology, consumer, financial services, healthcare and industrials.

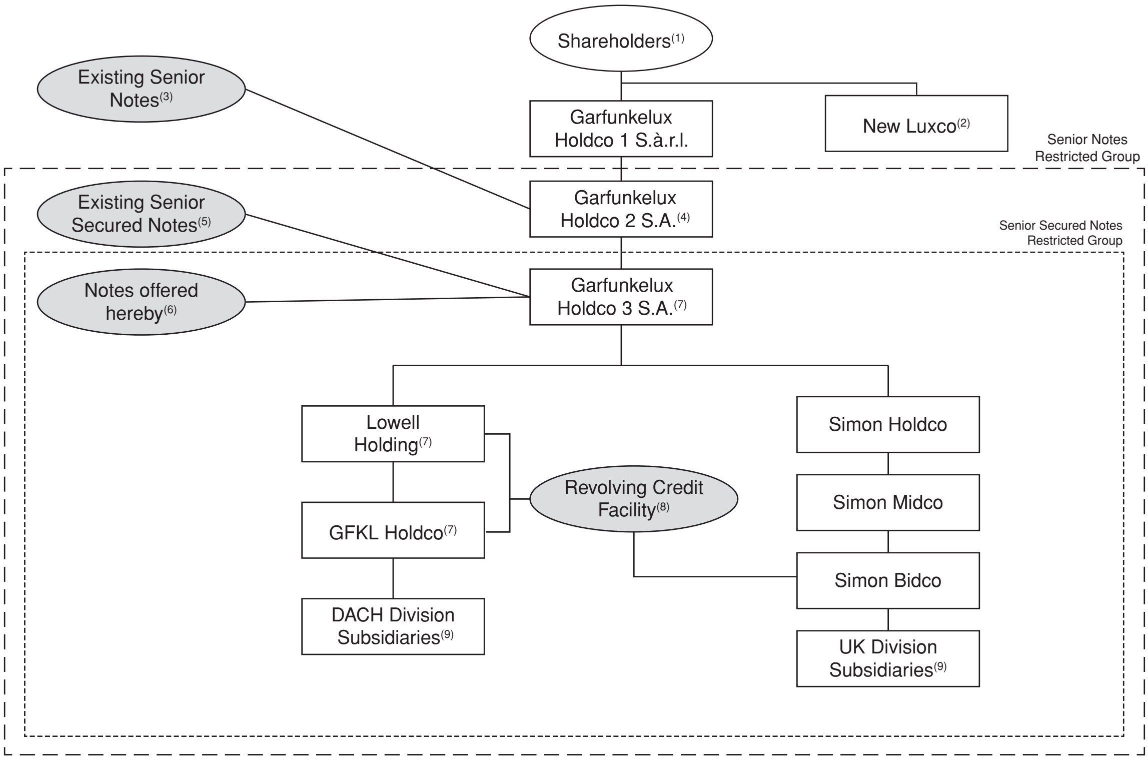
OTPP is a large single-profession pension plan in Canada, managing C$175.6 billion in net assets as of December 31, 2016. It is an independent organization responsible for investing the pension fund's assets and administering the pensions of Ontario's 318,000 active and retired teachers. OTPP has offices in Toronto, New York, London and Hong Kong. OTPP Private Capital (''**PC**'') is the private investment arm of OTPP, having deployed more than C$35 billion in capital since inception in 1991. PC has invested in more than 300 companies and funds. It was the first Canadian pension plan to do private equity co-investments as well as being a direct private equity investor.

Certain members of senior management of the Group collectively hold a 13.3% beneficial interest in the Group.

See ''*Principal Shareholders*.''

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following chart shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum adjusted to give effect to the Transactions (including the expected use of the proceeds therefrom). For further discussion, see ''Capitalization'' and ''Use of Proceeds.'' All entities shown below are wholly owned unless otherwise indicated in the chart or in the associated footnotes. The chart does not include all of our parent companies or subsidiaries, or all the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled ''Description of the Notes,'' ''Description of Certain Financing Arrangements'' and ''Capitalization.''



(1) As of the Issue Date, our Principal Shareholders include (a) Permira Funds, which holds a 59.5% beneficial interest in the Group, including through funds or partnerships managed or advised by Permira Funds; (b) Ontario Teachers' Pension Plan Board, an independent single-profession pension plan in Canada, which holds a 27.2% beneficial interest in the Group; and (c) certain members of management who collectively hold a 13.3% beneficial interest in the Group. Our Principal Shareholders hold subordinated shareholder funding claims in Garfunkelux Holdco 1 S.à r.l., in addition to several classes of equity. See ''*Principal Shareholders*.''

(2) New Luxco is a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg and in place to hold legal title to the T-Shares. The voting rights of the T-Shares in each company will be voted by the holder thereof in accordance with the Shareholders' Agreement.

(3) On October 19, 2015, the Parent issued £230,000,000 aggregate principal amount of its 11.000% senior notes due 2023 (the ''**Existing Senior Notes**''). The Notes and the Note Guarantees (other than the Note Guarantee of the Parent) will rank senior in right of payment with the Existing Senior Notes. See *''Description of Certain Financing Arrangements—The Existing Sterling Notes*.''

(4) Garfunkelux Holdco 2 S.A. is a public limited liability company (*société anonyme)* incorporated and existing under the laws of Luxembourg (the ''**Parent**''). As of the Issue Date, the assets of the Parent are expected to include its equity interests in the Issuer, as well as amounts owed to it under certain inter-company obligations including receivables under the Senior Proceeds Loan Agreement dated October 15, 2015 relating to the Existing Senior Notes. See *''Description of Certain Financing Arrangements—Senior Proceeds Loan Agreement*.''

(5) On July 23, 2015, the Issuer issued €365,000,000 aggregate principal amount of its 7.500% senior secured notes due 2022 (the ''**Existing 2022 Euro Notes**''), on October 19, 2015 the Issuer issued £565 million of its 8.500% senior secured notes due 2022 (the ''**Existing 2022 Sterling Notes**'') and on September 28, 2016 the Issuer issued €230,000,000 aggregate principal amount of its floating rate senior secured notes due 2021 and on April 21, 2017 the Issuer issued an additional €175,000,000 aggregate principal amount of its floating rate senior secured notes due 2021 (collectively, the ''**Existing 2021 Euro Notes**'' and, the Existing 2021 Euro Notes (until such Existing 2021 Euro Notes are satisfied and discharged in connection with the Transactions), together with the Existing 2022 Euro Notes and the Existing 2022 Sterling Notes, the ''**Existing Senior Secured Notes**''). The Existing 2021 Euro Notes are expected to be redeemed in full in connection with the Transactions. The Notes will rank *pari passu* in right of payment with the Existing Senior Secured Notes. See ''*Description of Certain Financing Arrangements—The Existing Sterling Notes*'' and ''*Description of Certain Financing Arrangements—The Existing Euro Notes.*''

(6) The Notes will be senior debt of the Issuer and rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes. The Notes will be effectively subordinated to any existing or future indebtedness or obligation of the Issuer and the Guarantors that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness. On the Issue Date,

the Notes will be guaranteed on a senior basis by the Guarantors and secured on a first-priority basis by the Collateral. See "*Description of the Notes—Note Guarantees*."

(7) Garfunkelux Holdco 3 S.A. is a public limited liability company (*société anonyme)* incorporated and existing under the laws of Luxembourg and the issuer of the Notes (the "**Issuer**"). In connection with the Transactions, on the Issue Date, the Issuer and Lowell Financial Services GmbH (previously GFKL Financial Services GmbH, "**GFKL Holdco**") will execute an inter-company loan agreement pursuant to which the Issuer will loan a portion of the gross proceeds from the Offering to GFKL Holdco (the "**FRN Proceeds Loan 1**") and the Issuer and Simon Bidco Limited will either (a) execute an inter-company loan agreement pursuant to which the Issuer will loan the remaining gross proceeds of the Offering to Simon Bidco Limited (the "**FRN Proceeds Loan 2**") in which case, upon receipt of the funds from the FRN Proceeds Loan 2, Simon Bidco Limited will repay the Existing 2021 Additional Proceeds Loan, or (b) amend and restate the Existing 2021 Additional Proceeds Loan Agreement to amend certain terms thereof, including to extend the maturity of the Existing 2021 Additional Proceeds Loan. Upon receipt of the funds from the FRN Proceeds Loan 1, GFKL Holdco will repay the Existing 2021 Initial Proceeds Loan and use the remaining proceeds as described under "*Use of Proceeds*" below. On the Issue Date, *pro forma* for the Transactions, the assets of the Issuer are expected to include its equity interests in Lowell Holding and Simon Holdco, amounts owed to it under certain other inter-company obligations, including the Garfunkel Proceeds Loan and the Senior Bidco Proceeds Loan Notes. See "*Description of Certain Financing Arrangements—Existing 2022 Senior Secured Notes Proceeds Loan Agreement*", "*Description of Certain Financing Arrangements—Bidco Proceeds Loan Notes*", "*Description of Certain Financing Arrangements—Existing 2021 Senior Secured Notes Proceeds Loan Agreement*" and "*Description of Certain Financing Arrangements—Existing 2021 Additional Proceeds Loan Agreement*".

(8) The Revolving Credit Facility provides for up to €200.0 million of senior secured credit borrowings. Pursuant to its terms, the borrower may request to incur additional facilities under the Revolving Credit Facility in amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC. The Revolving Credit Facility is secured by first-priority security interests over the Collateral that secures the Existing Senior Secured Notes and that will secure the Notes. Pursuant to the terms of the Intercreditor Agreement, the Revolving Credit Facility and certain hedging obligations are entitled to be repaid from the proceeds from enforcement in respect of the Collateral before any proceeds will be applied to repay obligations under the Notes and the Existing Senior Secured Notes. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement.*" As of June 30, 2017, the Revolving Credit Facility was undrawn and is expected to be undrawn as of the Issue Date.

(9) All of our subsidiaries are wholly owned with the exception of Global Credit Solutions Pts (Australia).

THE OFFERING

The following summary contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete description of the terms of the Notes, including certain definitions of terms used in this summary, see ''Description of Certain Financing Arrangements'' and ''Description of the Notes.''

Issuer:	Garfunkelux Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg.
Notes Offered:	€415 million aggregate principal amount of Floating Rate Senior Secured Notes due 2023.
Issue Date:	September 20, 2017.
Issue Price:	100.00% (plus accrued and unpaid interest from the Issue Date).
Maturity Date:	September 1, 2023.
Interest Rate:	Three-month EURIBOR (subject to a 0% floor) plus 3.50% per annum, reset quarterly.
Interest Payment Dates:	Interest is payable quarterly in arrears on each September 1, December 1, March 1 and June 1, commencing on December 1, 2017.
Form and Denomination:	The Issuer will issue the Notes on the Issue Date in global registered form. Each Note will have a minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof. No Notes in denominations of less than €100,000 will be available. The Notes will be maintained in book-entry form.
Ranking of the Notes:	The Notes will: • be general senior obligations of the Issuer; • rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Existing Senior Secured Notes and the Issuer's guarantee of any drawings under the Revolving Credit Facility; • rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, including the Issuer's guarantee in respect of the Existing Senior Notes; • be guaranteed by the Guarantors as described below under ''*Description of the Notes—Note Guarantees*;'' • be effectively subordinated to any existing or future indebtedness or obligation of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and • be structurally subordinated to any existing or future indebtedness of the Issuer's subsidiaries that do not guarantee the Notes, including obligations to trade creditors.

The Notes will be subject to the terms of the Intercreditor Agreement, including certain exceptions and turnover provisions. In addition, the Issuer's obligations in respect of the Notes may be released in certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Risk Factors—Risks Related to the Notes*."

Note Guarantees: . . . . On the Issue Date, the Notes will be guaranteed on a senior basis by the Parent, GFKL Holdco, Lowell Holding, Proceed Collection Services GmbH, Sirius Inkasso GmbH, GFKL Collections GmbH, IBW Verwaltungs- und Beteiligungs GmbH, INKASSO BECKER WUPPERTAL GmbH & Co. KG, Simon Bidco, Simon Midco, Simon Holdco, Metis Bidco Limited, Lowell Finance Holdings Limited, Lowell Group Limited, Lowell Funding Limited, Lowell Acquisitions Limited, Lowell Holdings Limited, Lowell Finance Limited, Lowell Financial Limited, Lowell Portfolio I Limited, Tocatto Limited, Lowell Solicitors Limited, Interlaken Group Limited, SRJ Debt Recoveries Limited, and Fredrickson International Limited (collectively, the "**Guarantors**").

The Note Guarantees will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement,*" "*Risk Factors—Risks Related to the Notes*" and "*Description of the Notes—Note Guarantees.*" The obligations of each Guarantor will be subject to certain limitations. See "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

Ranking of the Note Guarantees: . The Note Guarantees of each Guarantor will:

- be a general senior obligation of that Guarantor;
- rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Note Guarantee, including its obligations under the Existing 2021 Euro Notes (until such Existing 2021 Euro Notes are satisfied and discharged in connection with the Transactions), the Existing 2022 Euro Notes, the Existing 2022 Sterling Notes, the Revolving Credit Facility and certain hedging obligations and the Parent's obligations under the Existing Senior Notes;
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Guarantee, including that Guarantor's guarantee of the Existing Senior Notes;
- be effectively subordinated to any existing and future indebtedness or obligation of Guarantor that is secured by property and assets that do not secure such Guarantee, to the extent of the value of the property and assets securing such other indebtedness; and
- be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of such Guarantor that are not also Guarantors.

Security, Enforcement of Security: . On or about the Issue Date, the Notes will be secured by first-priority interests in the Collateral, which shall include, *inter alia*:

- capital stock of the Issuer held by the Parent, the capital stock of Simon Holdco and Lowell Holding held by the Issuer and the capital stock of GFKL Holdco held by Lowell Holding;
- T-Shares of the Issuer and the Guarantors (except the Parent) held by New Luxco;
- intercompany loan receivables of Lowell Holding, the Issuer and the Parent;
- bank accounts of the Issuer and Lowell Holding;
- substantially all assets of Simon Holdco, Simon Midco, Simon Bidco, Metis Bidco Limited, Lowell Finance Holdings Limited, Lowell Group Limited, Lowell Funding Limited, Lowell Acquisitions Limited, Lowell Holdings Limited, Lowell Finance Limited, Lowell Financial Limited, Lowell Portfolio I Limited, Tocatto Limited, Lowell Solicitors Limited, Interlaken Group Limited, SRJ Debt Recoveries Limited, and Fredrickson International Limited;
- certain of the share capital and/or intragroup receivables of GFKL Holdco, Proceed Collection Services GmbH, Sirius Inkasso GmbH, GFKL Collections GmbH, IBW Verwaltungs- und Beteiligungs GmbH, INKASSO BECKER WUPPERTAL GmbH & Co. KG; and
- the rights of Lowell Holding under the agreement in respect of the GFKL Acquisition and the rights of GFKL Holdco under the agreement in respect of the Tesch acquisition (collectively, the ''**Collateral**'').

The Collateral also secures on a first-priority basis the Revolving Credit Facility and certain hedging obligations (collectively, the ''**Super Senior Obligations**''), the Existing 2021 Euro Notes and the guarantees thereof (until such Existing 2021 Euro Notes are satisfied and discharged in connection with the Transactions), the Existing 2022 Euro Notes and guarantees thereof, the Existing 2022 Sterling Notes and guarantees thereof and may also secure certain future indebtedness. The Collateral has been (or will be) granted subject to the terms of the Intercreditor Agreement, certain agreed security principles and the terms of the security documents.

Under the terms of the Intercreditor Agreement, the holders of Notes will receive proceeds from the enforcement of the Collateral only after creditors of the Super Senior Creditor Liabilities (as defined therein), the Security Agent, the Trustee, any receiver or delegate and certain other creditor representatives have been repaid in full. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement*.''

	The security interests in the Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See ''*Description of the Notes—Security*,'' ''*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*'' and ''*Risk Factors—Risks Related to Our Structure and the Financing*.''
	The security interests in the Collateral may be released under certain circumstances. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement*'' and ''*Description of the Notes—Security*.''
Use of Proceeds	The proceeds from the Offering, together with cash on balance sheet, will be used to (i) redeem all of the Existing 2021 Euro Notes, (ii) pay the accrued interest and redemption premium for the Existing 2021 Euro Notes and (iii) pay fees and expenses in connection with the Transactions.
Optional Redemption:	The Issuer may redeem all or part of the Notes at any time on or after September 1, 2018 at the redemption prices as described under ''*Description of the Notes—Optional Redemption.*''
	At any time prior to September 1, 2018, the Issuer may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption plus a ''make-whole'' premium, as described under ''*Description of the Notes—Optional Redemption.*''
Additional Amounts; Tax Redemption:	Any payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or with respect to any Note Guarantee will be made without withholding or deduction for taxes in any Relevant Taxing Jurisdiction (as defined in ''*Description of the Notes—Withholding Taxes*'') unless required by law. Subject to certain exceptions and limitations, if the Issuer, any Guarantor or the Paying Agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, the Issuer or that Guarantor will pay the Additional Amounts (as defined in ''*Description of the Notes—Withholding Taxes*'') necessary so that the net amount received by each holder after such withholding is not less than the amount that would have been received in the absence of the withholding.
	If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes or other deductions on the payments on the Notes, and would require the Issuer or any Guarantor to pay Additional Amounts, the Issuer or any Guarantor may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.
Change of Control:	Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the outstanding Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. For further information, see *''Description of the Notes.''*

Certain Covenants:	The Indenture, among other things, will restrict the ability of the Issuer and its Restricted Subsidiaries (as defined therein), to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of the Issuer's subsidiaries to pay dividends; • transfer or sell certain assets; • merge or consolidate with other entities; • enter into certain transactions with affiliates; and • impair the security interests created for the benefit of the holders of the Notes. Certain of the covenants will be suspended if the Notes obtain and maintain an investment-grade rating. Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See ''*Description of the Notes—Certain Covenants*.''
Transfer Restrictions:	The Notes and the Note Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Issuer has not been and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. The Notes are subject to restrictions on transferability and resale. See ''*Transfer Restrictions*.'' We have not agreed to, or otherwise undertaken to, register the Notes under the securities laws in any jurisdiction (including by way of an exchange offer).
No Established Market for the Notes:	The Notes will be new securities for which there is currently no established trading market. Although 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 admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with the rules thereof.
Governing Law:	The Indenture, the Notes and the Note Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement and the Amended and Restated RCF Agreement are governed by English law. The security documents will be governed by the applicable law of the jurisdiction under which the security interests are granted, including English law, German law, Jersey law and Luxembourg law.
Trustee:	Citibank, N.A., London Branch.
Paying Agent:	Citibank, N.A., London Branch.

Registrar:	Citibank, N.A., London Branch.
Transfer Agent:	Citibank, N.A., London Branch.
Security Agent:	Citibank, N.A., London Branch.
Calculation Agent:	Citibank, N.A., London Branch.

RISK FACTORS

Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section of this Offering Memorandum before making a decision whether to invest in the Notes.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION OF THE GROUP

The following tables summarize the Group's historical consolidated financial data as of and for the twelve months ended June 30, 2017, the six months ended June 30, 2017, the six months ended June 30, 2016 and the year ended December 31, 2016 and should be read in conjunction with the Group Consolidated Financial Statements and the Unaudited Group Interim Condensed Consolidated Financial Statements, which are reproduced elsewhere in this Offering Memorandum, and the section entitled ''Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations.'' Where financial data in the following tables is labeled ''audited,'' this means that it has been taken from the Group Consolidated Financial Statements mentioned above. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the Group Consolidated Financial Statements mentioned above but rather was taken from the Unaudited Group Interim Condensed Consolidated Financial Statements or the Issuer's internal reporting system, or has been calculated based on figures from these sources, as applicable. The information below is not necessarily indicative of the results of future operations.

In addition, the following tables present summary unaudited pro forma condensed consolidated financial information and other data from the Unaudited Pro Forma Condensed Consolidated Financial Information as of and for the year ended December 31, 2015 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith as if they had been consummated on January 1, 2015. The following summary unaudited pro forma condensed consolidated financial information and other data as of and for the year ended December 31, 2015 has been derived from and should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Information included elsewhere in this Offering Memorandum. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited. Pro forma financial information usually covers only a current interim period and the last completed financial year, at most, whereas the Unaudited Pro Forma Condensed Consolidated Financial Information included in this Offering Memorandum presents periods beyond the prior period as of the current date.

The following summary unaudited pro forma condensed consolidated financial information is for illustrative purposes only and does not purport to indicate the financial results of our combined business had the above mentioned events taken place on January 1, 2015 and is not intended to be a projection of future results. Future results may vary significantly from the results reflected because of various factors, including those discussed in ''Risk Factors.''

In May 2016, our DACH Division acquired IS Group Management GmbH (together with its subsidiaries), and its results have been consolidated with the Group's beginning June 1, 2016. In September 2016, our DACH Division acquired Tesch, and its results have been consolidated with the Group's beginning October 1, 2016. In October 2016 our DACH Division acquired Apontas, and its results have been consolidated with the Group's beginning October 1, 2016. As a result, the financial results for the year ended December 31, 2016 are not directly comparable to those for prior years.

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Adjusted EBITDA and ERC, among others. There can be no assurance that items we have identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. The non-IFRS measures are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies, and Adjusted EBITDA may differ from ''Consolidated EBITDA'' as defined in the ''Description of the Notes'' section of this Offering Memorandum, the Indenture and the Existing Indentures. 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 historical data or unaudited pro forma financial information below is not necessarily indicative of results of future operations and should be read in conjunction with ''Use of Proceeds,'' ''Capitalization,'' ''Selected Group Consolidated Financial Information,'' ''Selected DACH Division Consolidated Financial Information,'' ''Selected UK Division Consolidated Financial Information,'' ''Management's Discussion *and Analysis of the Group's Financial Condition and Results of Operations,'' ''Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations,'' ''Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations,'' ''Description of the Notes'' and the Unaudited Pro Forma Condensed Consolidated Financial Information and the notes related thereto included elsewhere in this Offering Memorandum. Historical results are not necessarily indicative of future expected results.*

Summary Group Consolidated Statement of Comprehensive Income

	For the period from June 1, 2015 (date of incorporation) to December 31,	For the Year ended December 31,		For the Six Months Ended June 30,		For the twelve months ended June 30,
	2015	Pro Forma 2015[(1)]	2016	2016	2017	2017
	(audited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)
			(in £ millions)			
Continuing operations						
Revenue						
Income from portfolio investments	52.5	172.1	199.3	93.2	116.0	222.1
Portfolio write up	20.7	56.1	95.4	37.9	57.4	114.9
Portfolio fair value release	(0.6)	(3.3)	(3.4)	(1.7)	(1.3)	(3.0)
Service revenue	65.8	138.1	160.0	71.6	86.0	174.4
Other revenue	1.7	2.8	2.9	1.3	1.6	3.2
Total revenue	**140.2**	**365.7**	**454.2**	**202.2**	**259.7**	**511.7**
Other income	1.9	5.1	4.1	1.7	0.6	3.0
Operating expenses						
Collection activity costs	(68.5)	(152.8)	(181.4)	(84.0)	(91.2)	(188.6)
Other expenses[(2)]	(73.5)	(151.5)	(167.2)	(69.4)	(100.2)	(198.0)
Total operating expenses	**(142.0)**	**(304.3)**	**(348.6)**	**(153.4)**	**(191.4)**	**(386.6)**
Operating profit	0.1	66.5	109.8	50.6	68.9	128.1
Interest income	3.3	3.7	0.7	2.3	0.3	(1.3)
Finance costs[(3)]	(77.4)	(169.2)	(138.7)	(67.8)	(82.1)	(153.0)
Loss before tax	**(74.0)**	**(99.0)**	**(28.2)**	**(15.0)**	**(12.9)**	**(26.1)**
Income tax (expense) / credit	5.5	7.1	(3.0)	(3.7)	3.3	4.0
Loss for the period	**(68.5)**	**(91.8)**	**(31.2)**	**(18.8)**	**(9.6)**	**(22.1)**
Other comprehensive loss						
Gains / (losses) on pension plans	0.4		(1.0)	—	—	(1.0)
Deferred tax on gains / (losses) on pension plans	(0.1)		0.3	—	—	0.3
Foreign operations—foreign currency translation differences	(6.0)		(5.9)	(5.9)	(2.9)	(3.0)
Total comprehensive loss for the period attributable to equity shareholders	(74.3)		(37.8)	(24.7)	(12.6)	(26.0)

(1) Prepared on a *pro forma* basis as if the Lowell Acquisition and the GFKL Acquisition and the offering of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith had been completed on January 1, 2015. See ''*Presentation of Financial and Other Information*'' and ''*Unaudited Pro Forma Condensed Consolidated Financial Information*.''

(2) Other expenses in the year ended December 31, 2016 included a tradename impairment expense of £6.2 million and acquisition costs of £1.2 million. In the year ended December 31, 2015, other expenses included acquisition costs for Metis Bidco Limited and GFKL Holdco of £12.2 million and £11.8 million, respectively. Other expenses in the twelve months ended June 30, 2017 included a tradename impairment expense of £6.2 million and acquisition costs of £1.1 million.

(3) Finance costs for the year ended December 31, 2015 included debt redemption fees for Metis Bidco Limited and GFKL Holdco of £38.2 million and £1.5 million, respectively.

Summary Group Consolidated Statement of Financial Position

	As of December 31,		As of June 30,	
	2015	2016	2016	2017
	(in £ millions) (audited)			
Assets				
Non-current assets				
Goodwill	861.4	1,005.9	912.4	1,018.1
Intangible assets	76.1	124.1	90.7	119.3
Property, plant and equipment	6.3	10.1	7.6	10.2
Portfolio investments	345.7	491.4	394.1	522.8
Other financial assets	5.0	2.1	3.2	4.8
Deferred tax assets	0.8	—	—	—
Total non-current assets	**1,295.2**	**1,633.7**	**1,408.0**	**1,675.1**
Current assets				
Portfolio investments	270.8	340.3	294.0	363.9
Trade and other receivables	26.8	28.9	40.0	42.5
Assets for current tax	4.2	1.1	0.9	0.6
Other financial assets	10.0	8.3	10.9	8.0
Cash and cash equivalents	106.9	98.1	61.0	92.1
Total current assets	**418.9**	**476.7**	**406.8**	**507.2**
Total assets	**1,714.0**	**2,110.5**	**1,814.8**	**2,182.3**
Equity				
Share capital	3.7	3.7	3.7	3.7
Share premium and similar premiums	357.2	400.4	397.3	400.4
Reserves	(14.2)	(20.5)	(20.1)	(23.4)
Retained deficit	(68.6)	(99.7)	(87.3)	(109.3)
Total Equity attributable to equity holders of the parent	**278.2**	**284.0**	**293.7**	**271.4**
Non-controlling interests	0.5	—	0.4	—
Total Equity	**278.7**	**284.0**	**294.1**	**271.4**
Liabilities				
Non-current liabilities				
Borrowings	1,221.1	1,531.3	1,312.8	1,723.6
Provisions for pensions	3.5	5.1	4.0	5.3
Provisions	0.6	1.8	1.4	1.8
Derivatives	0.5	0.2	0.4	—
Other financial liabilities	55.6	0.1	0.1	0.1
Deferred tax liabilities	27.4	47.3	33.1	43.3
Total non-current liabilities	**1,308.8**	**1,585.8**	**1,351.6**	**1,774.2**
Current liabilities				
Trade and other payables	60.7	101.7	63.0	70.7
Provisions	10.6	14.5	12.5	15.0
Borrowings	34.0	100.3	70.9	27.8
Derivatives	0.3	0.3	0.3	—
Other financial liabilities	6.9	6.5	6.2	6.8
Current tax liabilities	14.0	17.3	16.1	16.5
Total current liabilities	**126.5**	**240.6**	**169.0**	**136.7**
Total equity and liabilities	**1,714.0**	**2,110.5**	**1,814.8**	**2,182.3**

Summary Group Consolidated Statement of Cash Flows

	For the Year ended December 31, 2016	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2017
	(in £ millions) (audited)		
Consolidated cash flow statement:			
Net cash used in / from operating activities	**(21.5)**	**(15.7)**	**(22.6)**
Investing activities			
Interest received	0.2	0.3	0.1
Proceeds from sale of subsidiary	0.2	0.5	—
Purchase of property, plant and equipment	(4.8)	(1.8)	(1.1)
Proceeds of intangible assets	(5.0)	(2.8)	(0.8)
Acquisition of subsidiary, net of cash acquired	(133.8)	(17.1)	—
Net cash from investing activities	**(143.2)**	**(21.0)**	**(1.8)**
Financing activities			
Proceeds from loans and borrowings	263.0	38.0	156.0
Transaction costs related to loans and borrowings	(11.0)	—	(0.8)
Repayment of borrowings	(0.7)	—	(82.5)
Interest paid	(102.0)	(51.6)	(55.9)
Net cash from financing activities	**149.3**	**(13.6)**	**16.7**
Net increase/(decrease) from cash and cash equivalents	(15.4)	(50.3)	(7.6)
Cash and cash equivalents at the beginning of the period	**106.9**	**106.9**	**98.1**
Effect of movements in exchange rate on cash held	6.5	4.4	1.7
Cash and cash equivalents at the end of the period	**98.1**	**61.0**	**92.1**

Other Group Financial and Operating Data

	As of and for the Year ended December 31, 2016	As of and for the Six Months Ended June 30, 2016	As of and for the Six Months Ended June 30, 2017	As of and for the Twelve Months Ended June 30, 2017
		(unaudited)		
Other financial, operating and pro forma data:				
Cash generative asset backing:				
ERC(1)	1,834.5	1,569.2	1,973.1	1,973.1
Portfolio purchases(2)	306.5	115.2	109.0	300.3
Number of accounts (in millions)(3)	25.9	23.9	27.4	27.4
Number of owned debt portfolios(4)	1,729	1,537	1,869	1,869
Net adjusted debt(5)	1,281.3	1,084.2	1,379.7	1,379.7
Cash generation:				
Collections on owned portfolios(6)	399.7	185.1	234.1	448.8
Adjusted EBITDA(7)	254.5	119.2	149.3	284.4
Cash flow before interest, portfolio purchases, tax expenses and capital expenditures(8)	269.4	101.6	89.0	256.8
Cash flow conversion(9)	105.9%	85.2%	59.6%	90.3%

(1) ''ERC'' means estimated remaining collections, which are the future collections projected to be received on all of the Group's purchased debt portfolios based on its forecasting models. Group ERC (as a combined metric) as of June 30, 2017 was calculated, without adjustment, by adding our UK Division's ERC (based on a 120-month period) to our DACH Division's ERC (based on a 180-month period) translated into pounds sterling at the applicable rate, and is presented for illustrative purposes only. Group ERC is not intended to be a projection of future results. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in *''Risk Factors.''*

(2) ''Portfolio purchases'' represents the value of purchases through actual spend for the relevant financial period.

(3) ''Number of accounts'' represents the total number of individual consumer debts that the Group owns as of the date specified.

(4) ''Number of owned debt portfolios'' represents the number of individual portfolios of accounts that the Group owns as of the date specified.

(5) ''Net adjusted debt'' represents third-party debt less cash and cash equivalents and excludes subordinated shareholder instruments included in the ''Non-current liabilities'' line item of the balance sheet.

(6) ''Collections on owned portfolios'' represents Gross Collections.

(7) Adjusted EBITDA represents cash collections on acquired portfolios plus other turnover, less collection activity costs and other expenses (which, together, equals servicing costs) and before exceptional items, depreciation and amortization. We use Adjusted EBITDA as a measure of operating cash flow generation and the liquidity of our business. For additional information, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.'' The following tables provide an analysis of Adjusted EBITDA.

The table below sets out the reconciliation of cash collections on acquired portfolios to Adjusted EBITDA.

(in £ millions)	For the Year ended December 31,	For the Six Months Ended June 30,		For the Twelve Months Ended June 30,
	2016	2016	2017	2017
		(unaudited)		
Cash collections on acquired portfolios[(a)]	399.7	185.1	234.1	448.7
Other turnover[(b)]	167.0	74.6	88.2	180.6
Servicing costs[(c)]	(348.6)	(153.4)	(191.4)	(386.6)
Revaluations in operating expenses and direct write-down of portfolios	8.9	4.8	1.4	5.5
Depreciation, amortization and impairment[(d)]	20.5	5.6	9.6	24.6
Exceptional projects and related professional fees	5.4	2.3	3.9	7.0
Exceptional compensation, redundancy and restructuring costs	2.6	0.5	3.4	5.5
Other[(e)]	(1.2)	(0.3)	—	(0.9)
Adjusted EBITDA	**254.5**	**119.2**	**149.3**	**284.4**

(a) ''Cash collections on acquired portfolios'' represents Gross Collections.

(b) Other turnover is defined as service revenue, other revenue and other income.

(c) Servicing costs represent the sum of ''collection activity costs'' and ''other expenses.''

(d) Depreciation represents the depreciation charge for the period for property, plant and equipment. Amortization represents the amortization charge for the period for intangible assets. Impairments are recognized where the carrying value of the asset exceeds the future economic benefit.

(e) ''Other'' includes mainly profit on the sale of a subsidiary of the DACH division.

Consistent with prior reporting and provided solely for the convenience of prospective investors, the table below sets out the reconciliation of operating profit to Adjusted EBITDA.

(in £ millions)	For the Year Ended December 31,	For the Six Months Ended June 30,		For the Twelve Months Ended June 30,
	2016	2016	2017	2017
		(unaudited)		
Operating profit	109.8	50.6	68.9	128.1
Depreciation, amortization and impairment[(a)]	20.5	5.6	9.6	24.6
Portfolio write-up/Portfolio fair value adjustments/impairment of non-performing loans	(83.1)	(31.3)	(54.7)	(106.5)
Exceptional projects and related professional fees	5.4	2.3	3.9	7.0
Exceptional compensation, redundancy and restructuring costs	2.6	0.5	3.4	5.5
Other[(b)]	(1.2)	(0.3)	—	(0.9)
Portfolio amortization[(c)]	200.4	91.9	118.2	226.7
Adjusted EBITDA	**254.5**	**119.2**	**149.3**	**284.4**

(a) Depreciation represents the depreciation charge for the period for property, plant and equipment. Amortization represents the amortization charge for the period for intangible assets. Impairments are recognized where the carrying value of the asset exceeds the future economic benefit.

(b) ''Other'' includes mainly profit on the sale of a subsidiary of the DACH division.

(c) Portfolio amortization represents the difference between the gross collections for the period and the income from portfolio investments as stated in the Statement of Comprehensive Income.

(8) Cash flow before interest, portfolio purchases, tax expenses and capital expenditure represents Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period. The following table sets forth a reconciliation of increase/(decrease) in cash to cash flow before interest, portfolio purchases, tax expenses and capital expenditure.

	For the Year ended December 31,	For the Six Months ended June 30,		For the Twelve Months ended June 30,
	2016	2016	2017	2017
Net increase/(decrease) from cash and cash equivalents	(15.4)	(50.3)	(7.6)	27.3
Movement in debt	(262.3)	(38.0)	(73.5)	(297.8)
Portfolio purchases[(a)]	288.3	115.2	109.0	282.1
Debt servicing	101.8	51.3	55.8	106.3
Taxation servicing	2.5	2.1	2.6	3.0
Acquisition of subsidiaries, net of proceeds on sale of subsidiaries	133.6	16.6	—	117.0
Capital expenditure	9.8	4.6	1.9	7.1
Transaction costs related to loans and borrowings	11.0	—	0.8	11.8
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	**269.4**	**101.6**	**89.0**	**256.8**

(a) Portfolios purchased through the acquisition of Tesch of £18.2 million are shown in the ''Acquisition of subsidiaires, net of proceeds on sale of subsidiaires'' line in this reconciliation for the year ended December 31, 2016 and the twelve months ended June 30, 2017.

(9) Cash flow conversion is cash flow before interest, portfolio purchases, tax expenses and capital expenditure as a percentage of Adjusted EBITDA for the period.

Contractual Commitments

After giving effect to the issuance of the Notes and the application of proceeds of the Offering as described in ''*Use of Proceeds,*'' as of June 30, 2017, our total financial indebtedness would have been £1,480.6 million. As of June 30, 2017, on an unaudited basis after giving effect to the Transactions including the Offering, our financing arrangements would have been as follows:

	Due within one year	Due between one year and three years	Due between three and five years	Due after five years	Total
			(in £ millions)[(1)] (unaudited)		
Notes offered hereby[(2)]	—	—	—	364.8	364.8
Existing Senior Notes[(3)]	—	—	—	230.0	230.0
Existing Senior Secured Notes[(4)]	—	—	—	885.8	885.8
Revolving Credit Facility[(5)]	—	—	—	—	—
Total	**—**	**—**	**—**	**1,480.6**	**1,480.6**

(1) Unless otherwise indicated, euro-denominated amounts were translated into pound sterling at £0.879 to €1.00, which was the applicable exchange rate as of June 30, 2017.

(2) Reflects the gross proceeds from the issuance of the Notes.

(3) Reflects the £230.0 million of principal amount outstanding of the Existing Senior Notes.

(4) Reflects, pro forma for the Transactions, the €365.0 million of principal amount outstanding of the Existing 2022 Euro Notes and the £565.0 million of principal amount outstanding of the Existing 2022 Sterling Notes.

(5) The Revolving Credit Facility provides for up to €200.0 million of senior secured credit borrowings. Pursuant to the terms of the Amended & Restated RCF Agreement, the Issuer may request to incur additional facilities thereunder in amounts up to the greater of €25.0 million and 7.9% of the Group's 84-month ERC. As of June 30, 2017, the Revolving Credit Facility was undrawn and is expected to be undrawn as of the Issue Date.

For a description of the material terms of our existing long-term financing arrangements and our anticipated long-term financing arrangements, see ''*Description of Certain Financing Arrangements*'' and ''*Description of the Notes.*''

Pro Forma and Other Information

	As of and for the Twelve Months ended June 30, 2017
	(in £ millions unless otherwise indicated) (unaudited)
Group ERC[1]	1,973.1
Pro Forma Adjusted EBITDA[2]	287.1
Cash income[3]	553.5
Pro forma cash and cash equivalents[4]	62.9
Pro forma secured debt[5]	1,250.6
Pro forma net secured debt[6]	1,187.8
Pro forma total debt[7]	1,480.6
Pro forma total net debt[8]	1,417.8
Pro forma cash interest expense[9]	111.4
Ratio of *pro forma* net secured debt to *pro forma* Adjusted EBITDA	4.1x
Ratio of *pro forma* secured debt to *pro forma* Adjusted EBITDA	4.4x
Ratio of *pro forma* total net debt to *pro forma* Adjusted EBITDA	4.9x
Ratio of *pro forma* total debt to *pro forma* Adjusted EBITDA	5.2x
Ratio of *pro forma* Adjusted EBITDA to *pro forma* cash interest expense	2.6x

(1) Group ERC for the twelve months ended June 30, 2017 was calculated by adding our UK Division's ERC (based on a 120-month period) to our DACH Division's ERC (based on a 180-month period) translated into pounds sterling at the applicable rate, and is presented for illustrative purposes only. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in *''Risk Factors.''*

(2) We define *Pro Forma* Adjusted EBITDA as Adjusted EBITDA further adjusted to include the Adjusted EBITDA contribution of the Tesch Group for the three months ended September 30, 2016, as if the acquisition of the Tesch Group had been completed on July 1, 2016. The Tesch Group does not report its financial results using IFRS, and its accounting policies and definitions of EBITDA may differ from ours for the period from July 1, 2016 to September 30, 2016. See ''*Risk Factors—Risks Related to Our Business and Industry—Certain pro forma financial and other information included herein needs to be carefully considered*.'' *Pro Forma* Adjusted EBITDA is presented for illustrative purposes only and does not purport to indicate what the performance of our combined business would have been had the acquisition taken place on July 1, 2016 nor is it intended to be a projection of future results. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in *''Risk Factors.''*

(3) We define cash income as total revenue for the period adding back portfolio amortization and portfolio fair value release and deducting portfolio write-up, lawyer service revenue and other revenue.

The following table presents a reconciliation of total revenue to cash income.

(in £ millions) (unaudited)	For the year ended December 31, 2016	For the Six Months ended June 30, 2016	For the Six Months ended June 30, 2017	For the Twelve Months Ended June 30, 2017
Total revenue	454.2	202.2	259.7	511.7
Lawyer service revenue	(77.1)	(37.4)	(30.0)	(69.7)
Portfolio write-up	(95.4)	(37.9)	(57.4)	(114.9)
Portfolio fair value release	3.4	1.7	1.3	3.0
Other revenue	(2.9)	(1.3)	(1.6)	(3.2)
Portfolio amortization[a]	200.4	91.9	118.2	226.7
Cash income	**482.6**	**219.2**	**290.1**	**553.5**

(a) Portfolio amortization represents the differences between the gross collections and the income from portfolio investments.

(4) *Pro forma* cash and cash equivalents represents cash and cash equivalents of the Group, as adjusted for the Offering as of the Issue Date and excluding restricted cash. See ''*Capitalization*.''

(5) *Pro forma* secured debt represents outstanding third-party indebtedness of the Group other than the Senior Notes, as adjusted for the Transactions as of the Issue Date. As of June 30, 2017, the Revolving Credit Facility was undrawn and is expected to be undrawn as of the Issue Date.

(6) *Pro forma* net secured debt represents *pro forma* secured debt less *pro forma* cash and cash equivalents (net of £29.2 million in restricted cash).

(7) *Pro forma* total debt represents outstanding third-party indebtedness of the Group, as adjusted for the Offering.

(8) *Pro forma* net total debt represents *pro forma* total debt less *pro forma* cash and cash equivalents (net of £29.2 million in restricted cash).

(9) Pro forma cash interest expense reflects the interest expense in respect of the Notes, based on a margin of 3.5% and assuming a constant EURIBOR rate (with a 0% floor), the interest expense in respect of the Existing Sterling Notes, the interest expense in respect of the Existing 2022 Euro Notes and fees under our Revolving Credit Facility (excluding any interest on drawings in the ordinary course of business) for the twelve-month period ended June 30, 2017 as if the Transactions had occurred on July 1, 2016. Pro forma cash interest expense excludes charges related to allocated debt issuance costs and hedging costs. Pro forma cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION OF OUR UK DIVISION

The following table summarizes our UK Division's historical consolidated financial data as of the dates and for the periods indicated and should be read in conjunction with the UK Division Consolidated Financial Statements, which are reproduced elsewhere in this Offering Memorandum, and the section entitled ''Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations.'' Where financial data in the following tables is labeled ''audited,'' this means that it has been taken from the UK Division Consolidated Financial Statements mentioned above. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the UK Division Consolidated Financial Statements mentioned above but rather was taken from the Issuer's internal reporting system, or has been calculated based on figures from these sources. The information below is not necessarily indicative of the results of future operations.

Metis Bidco Limited, our UK Division's consolidating entity, was incorporated on May 31, 2011 for the purpose of consummating its acquisition of Lowell Group Limited and its subsidiaries. In 2015, Metis Bidco Limited changed its financial year end from September 30 to December 31 in order to align the financial reporting schedule to calendar year end. Accordingly, the financial results for the UK Division Financial Year 2015 are presented as of December 31, 2015 and for the 15-month period from September 1, 2014 to December 31, 2015. As a result, the financial results for the UK Division Financial Year 2015 are not directly comparable to those for the UK Division Financial Year 2014.

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including, among others, Adjusted EBITDA and ERC. There can be no assurance that items we have identified for adjustment as non-recurring 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 the UK Division's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies and Adjusted EBITDA may differ from ''Consolidated EBITDA'' contained in the sections ''Description of the Notes'' of this Offering Memorandum, the Indenture and the Existing Indentures. 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 the UK Division's 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.''

Collections on portfolios tend to be lower in months where there are fewer working days, for example months with public holidays. As a result, any quarterly results may not be indicative of the UK Division's results for a full fiscal year.

The historical data below is not necessarily indicative of results of future operations and should be read in conjunction with ''Use of Proceeds,'' ''Capitalization,'' ''Selected UK Division Consolidated Financial Information,'' ''Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations'' and the UK Division Consolidated Financial Statements including the notes thereto, which are included elsewhere in this Offering Memorandum.

Summary UK Division Consolidated Statement of Comprehensive Income

	For the UK Division Financial Year[1]	
	2014	**2015**
	(in £ millions) (audited)	
Continuing operations		
Revenue		
Income from portfolio investments	107.1	161.3
Portfolio write up	25.3	33.5
Portfolio fair value release	(4.9)	(4.5)
Other revenue	18.7	12.9
Total revenue	**146.2**	**203.2**
Operating expenses		
Collection activity costs	(33.5)	(51.9)
Other expenses	(63.1)	(78.8)
Total operating expenses	**(96.6)**	**(130.6)**
Operating profit	**49.6**	**72.6**
Interest income	0.1	0.0
Finance costs	(63.9)	(123.0)
Goodwill impairment	—	—
Loss before tax	**(14.2)**	**(50.3)**
Income tax expense	(1.9)	3.6
Loss for the period attributable to equity shareholders	**(16.1)**	**(46.7)**
Other comprehensive income	—	—
Total comprehensive loss for the period attributable to equity shareholders	**(16.1)**	**(46.7)**

(1) The financial information presented in this table relates to periods of unequal duration. The UK Division Financial Year 2014 figures represent the UK Division's financial results for the 12-month period from October 1, 2013 to September 30, 2014. The UK Division Financial Year 2015 figures represent the UK Division's financial results for the 15-month period from October 1, 2014 to December 31, 2015.

Summary UK Division Consolidated Balance Sheet

	As of September 30, 2014	As of December 31, 2015
	(in £ millions) (audited)	
Assets		
Non-current assets		
Goodwill	169.8	169.8
Intangible assets	5.6	4.6
Property, plant and equipment	4.0	3.9
Portfolio investments	204.6	289.5
Deferred tax assets	0.3	3.5
Total non-current assets	**384.3**	**471.3**
Current assets		
Portfolio investments	163.7	202.8
Trade and other receivables	33.1	34.3
Cash and cash equivalents	34.4	15.1
Total Current assets	**231.2**	**252.2**
Total assets	**615.5**	**723.5**
Equity		
Share capital	1.3	274.1
Share premium	0.1	0.1
Retained deficit	(72.9)	(119.5)
Total (deficit)/equity attributable to shareholders	**(71.5)**	**154.7**
Liabilities		
Non-current liabilities		
Borrowings	650.0	521.9
Total non-current liabilities	**650.0**	**521.9**
Current liabilities		
Trade and other payables	36.9	22.2
Borrowings	—	24.7
Deferred tax liability	—	—
Current tax liabilities	0.1	—
Total current liabilities	**37.0**	**46.9**
Total equity and liabilities	**615.5**	**723.5**

Summary UK Division Cash Flow Statement Information

	For the UK Division Financial Year[1]	
	2014	2015
	(in £ millions) (audited)	
Consolidated cash flow statement:		
Net cash from operating activities	**(81.2)**	**(128.8)**
Investing activities		
Interest received	0.1	0.0
Purchase of property, plant and equipment	(3.1)	(1.1)
Purchase of intangible assets	(1.8)	(2.3)
Proceeds of sale of property, plant and equipment	0.0	0.2
Acquisition of subsidiary	—	—
Net cash from investing activities	**(4.7)**	**(3.2)**
Financing activities		
New borrowings	115.0	502.7
Repayment of borrowings	(10.0)	(390.0)
New share issue	0.1	—
Net cash from financing activities	**105.1**	**112.7**
Net increase/(decrease) from cash and cash equivalents	19.1	(19.3)
Cash and cash equivalents at the beginning of the period	**15.3**	**34.4**
Cash and cash equivalents at the end of the period	**34.4**	**15.1**

(1) The financial information presented in this table relates to periods of unequal duration. The UK Division Financial Year 2014 figures represent the UK Division's financial results for the 12-month period from October 1, 2013 to September 30, 2014. The UK Division Financial Year 2015 figures represent the UK Division's financial results for the 15-month period from October 1, 2014 to December 31, 2015.

Other UK Division Financial and Operating Data

	As of and for the UK Division Financial Year[1]	
	2014	2015
	(in £ millions) (unaudited)	
Other financial, operating and pro forma data:		
Cash generative asset backing:		
ERC[2]	800.9	1,063.3
Portfolio purchases[3]	162.2	227.3
Number of accounts (in millions)[4]	15.6	19.6
Number of owned debt portfolios[5]	877	1154.0
Net adjusted debt[6]	355.6	487.6
Cash generation:		
Collections on owned portfolios[7]	196.8	293.6
Adjusted EBITDA[8]	126.1	183.4
Cash flow before interest, portfolio purchases, tax expenses and capital expenditures[9]	121.4	171.2
Cash flow conversion[10]	96.3%	93.3%

(1) The financial information presented in this table relates to periods of unequal duration. The UK Division Financial Year 2014 figures represent the UK Division's financial results for the 12-month period from October 1, 2013 to September 30, 2014. The UK Division Financial Year 2015 figures represent the UK Division's financial results for the 15-month period from October 1, 2014 to December 31, 2015.

(2) ''ERC'' means estimated remaining collections, which are the future collections projected to be received on all of our UK Division's purchased debt portfolios based on its forecasting models. As of today, our UK Division's internal models forecast collections over a 120-month period (except as otherwise specified). ERC is presented here for illustrative purposes only and

can be different from the forecasts used to calculate the carrying value of our UK Division's purchased debt portfolios as recognized in its consolidated financial statements. Any references to ERC in this Offering Memorandum are references to gross ERC (which includes estimated gross collections in respect of the principal balance, costs, service costs and fees). See ''*Presentation of Financial and Other Information—Non-Financial Operating Data.*''

(3) ''Portfolio purchases'' represents the value of purchases through actual spend for the relevant financial period.

(4) ''Number of accounts'' represents the total number of individual consumer debts that our UK Division owns as of the date specified.

(5) ''Number of owned debt portfolios'' represents the number of individual portfolios of accounts that our UK Division owns as of the date specified.

(6) ''Net Adjusted Debt'' represents third-party debt less cash and cash equivalents and excludes subordinated shareholder instruments included in the ''Creditor'' line item of the balance sheet. The following table sets forth a reconciliation of cash and cash equivalents to net adjusted debt.

	For the UK Division Financial Year	
	2014	**2015**
Cash and cash equivalents	(34.4)	(15.1)
Senior secured notes	115.0	—
Senior secured notes	275.0	—
Loan with parent undertaking	—	492.7
Revolving Credit Facility	—	10.0
Net Adjusted Debt	**390.0**	**492.7**

(7) ''Collections on owned portfolios'' represents Gross Collections as reported in the notes to the UK Division 2015 Audited Consolidated Financial Statements and the UK Division 2014 Audited Consolidated Financial Statements.

(8) Adjusted EBITDA represents collections on owned portfolios plus other turnover, less collection activity costs and other expenses (which, together, equal servicing costs) and before exceptional items, exceptional income and depreciation and amortization. Adjusted EBITDA is a non-IFRS measure. Our UK Division uses Adjusted EBITDA as a measure of operating cash flow generation and the liquidity of our UK Division. For additional information, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.'' The following table provides an analysis of Adjusted EBITDA.

The table below sets out the reconciliation of collections/income on owned portfolios to Adjusted EBITDA.

	For the UK Division Financial Year	
(in £ millions) (unaudited)	**2014**	**2015**
Collections on owned portfolios[(a)]	196.8	293.6
Other turnover	18.7	12.9
Exceptional income[(b)]	(5.2)	—
Servicing costs[(c)]	(96.6)	(130.6)
Depreciation/amortization[(d)]	4.3	4.4
Exceptional items[(e)]	8.0	3.1
Adjusted EBITDA	**126.1**	**183.4**

(a) ''Collections on owned portfolios'' represents Gross Collections as reported in the notes to the UK Division 2015 Audited Consolidated Financial Statements and the UK Division 2014 Audited Consolidated Financial Statements.

(b) Exceptional income relates to the release of a provision for additional purchase consideration for the Interlaken acquisition. Certain conditions to payment of the additional consideration were not achieved, and therefore the additional consideration was no longer payable.

(c) Servicing costs represent the sum of ''collection activity costs'' and ''other expenses.''

(d) Depreciation represents the depreciation charge for the period for property, plant and equipment. Amortization represents the amortization charge for the period for intangible assets.

(e) Administrative/other expenses include several exceptional items that have been added back to reach Adjusted EBITDA. In the UK Division Financial Year 2014, exceptional items included £0.8 million of exceptional project fees and professional fees of £7.2 million. In the UK Division Financial Year 2015, exceptional items included £0.3 million of exceptional compensation and redundancy costs and £2.8 million of exceptional project fees and professional costs. Professional fees in relation to exceptional items are costs incurred in investigating future strategic business opportunities.

Consistent with prior reporting and provided solely for the convenience of prospective investors, the table below sets out the reconciliation of operating profit to Adjusted EBITDA.

(in £ millions) (unaudited)	For the UK Division Financial Year 2014	2015
Operating profit	49.6	72.6
Depreciation/amortization[(a)]	4.3	4.4
Fair value movement in debt portfolios/portfolio write-up	(25.3)	(33.5)
Portfolio fair value release[(b)]	4.9	4.5
Exceptional items[(c)]	8.0	3.1
Portfolio amortization[(d)]	89.7	132.3
Exceptional income[(e)]	(5.2)	—
Adjusted EBITDA	**126.1**	**183.4**

(a) Depreciation represents the depreciation charge for the period for property, plant and equipment. Amortization represents the amortization charge for the period for intangible assets.

(b) Portfolio fair value release is as presented on the face of the Statement of Comprehensive Income and represents the unwinding of the fair value uplift required when the Parent acquired Lowell Group Limited in September 2011. This uplift is being unwound over 84 months in line with a typical collections profile.

(c) Administrative/other expenses include several exceptional items that have been added back as exceptional items to reach Adjusted EBITDA. In the UK Division Financial Year 2014, exceptional items included £0.8 million of exceptional project costs associated with the relocation of the UK Division head office and £7.2 million of professional fees. In the UK Division Financial Year 2015, exceptional items included £0.3 million of exceptional compensation and redundancy costs and £2.8 million of exceptional project fees and professional fees. Professional fees in relation to exceptional items are costs incurred in investigating future strategic business opportunities.

(d) Portfolio amortization represents the difference between the gross collections for the period and the income from portfolio investments as stated in the Statement of Comprehensive Income.

(e) Exceptional income for the UK Division Financial Year 2014 represents the release of the deferred consideration that was recognized on the acquisition of Interlaken but was released on September 30, 2014, as it was no longer deemed payable.

(9) Cash flow before interest, portfolio purchases, tax expenses and capital expenditure represents Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period. Management monitors cash flow before interest, portfolio purchases, tax expenses and capital expenditure as a measure of the cash available to us to pay down or service debt, pay income taxes, purchase new debt portfolios and for other uses. For a reconciliation of cash flow before interest, portfolio purchases, tax expenses and capital expenditure, please see ''*Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations—Our UK Division's ERC on owned portfolios as of June 30, 2017 by year of purchase—Operating cash generation*.''

(10) Cash flow conversion is cash flow before interest, portfolio purchases, tax expenses and capital expenditure as a percentage of Adjusted EBITDA for the period.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION OF OUR DACH DIVISION

The following tables present the DACH Division's summary financial information as of the dates and for the periods indicated and should be read in conjunction with the DACH Division Consolidated Financial Statements, which are reproduced elsewhere in this Offering Memorandum and the section entitled ''Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations.'' The DACH Division Consolidated Financial Statements were prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (Handelsgesetzbuch) and were audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer) by E&Y Germany which issued an unqualified auditor's report thereon in each case. Where financial data in the following tables is labeled ''audited'', this means that it has been taken from the DACH Division Consolidated Financial Statements mentioned above. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the DACH Division Consolidated Financial Statements mentioned above but rather was taken from the Issuer's internal reporting system, or has been calculated based on figures from these sources. The information below is not necessarily indicative of the results of future operations.

The DACH Division changed its accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement'' and adjusted the prior-year comparative figures as of and for the year ended December 31, 2014 in the DACH Division 2015 Audited Consolidated Financial Statements retrospectively with effect to January 1, 2014. In the DACH Division 2014 Audited Consolidated Financial Statements, the DACH Division measured ''Non-performing loans and receivables acquired for settlement'' at fair value and recognized these financial instruments at fair value through profit or loss. As part of the integration in the Group and for ease of comparison with international competitors, the DACH Division recognized in the DACH Division 2015 Consolidated Financial Statements ''Non-performing loans and receivables acquired for settlement'' at amortized costs using the effective interest method. For additional information see Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements. The financial information as of and for the year ended December 31, 2014 has been derived from the DACH Division 2015 Audited Consolidated Financial Information. See ''Presentation of Financial and Other Information—Financial Information—DACH Division.''

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Adjusted EBITDA, among others. There can be no assurance that items we have identified for adjustment as non-recurring 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 the DACH Division's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies, and Adjusted EBITDA may differ from ''Consolidated EBITDA'' contained in the section ''Description of the Notes'' of this Offering Memorandum, the Indenture and the Existing Indentures. 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 the DACH Division's 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 historical data below is not necessarily indicative of results of future operations and should be read in conjunction with ''Use of Proceeds,'' ''Capitalization,'' ''Selected DACH Division Consolidated Financial and Other Information,'' ''Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations'' and the DACH Division Consolidated Financial Statements including the notes thereto, which are included elsewhere in this Offering Memorandum.

Summary DACH Division Consolidated Income Statement Information

	Financial Year	
	2014(1) (restated)	2015
	(in € million) (audited)	
Revenue	243.9	271.9
Other operating income	16.1	6.1
Cost of purchased goods and services	0.8	1.1
Personnel expenses	45.2	48.9
Depreciation, amortization and impairment expense	6.3	4.1
Other operating expenses	163.8	180.9
Interest and similar income	0.5	1.0
Interest and similar expenses	16.0	10.3
Earnings/(loss) before tax	**28.4**	**33.6**
Income taxes/(income)	11.0	11.1
Profit/(loss) from continuing operations	**17.4**	**22.5**
Profit/(loss) from discontinued operations	(2.3)	—
Consolidated profit/(loss) for the period	**15.1**	**22.5**
Profit attributable to non-controlling interests	0.0	—
Loss attributable to non-controlling interests	—	0.0
Profit/(loss) attributable to equity holders of the parent	**15.1**	**22.5**

(1) The income statement figures for the financial year ended December 31, 2014 included in this table are derived from the DACH Division 2015 Audited Consolidated Financial Statements where the prior-year comparative figures as of and for the financial year ended December 31, 2014 were retrospectively adjusted due to changes in accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement.'' See ''*Presentation of Financial and Other Information*'' and Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements. Therefore, the adjusted income statement figures for the financial year ended December 31, 2014 derived from the DACH Division 2015 Audited Consolidated Financial Statements differ from those in the DACH Division 2014 Audited Consolidated Financial Statements.

Summary DACH Division Consolidated Balance Sheet

	As of December 31,	
	2014[1]	2015
	(in € million) (audited)	
Assets		
Non-current assets		
Property, plant and equipment	3.8	3.2
Intangible assets	19.3	18.9
Goodwill	21.6	21.6
Non-performing loans and receivables acquired for settlement[1]	47.9	68.8
Other financial assets	8.4	0.1
Non-current assets	**101.0**	**112.6**
Current assets		
Inventories	0.0	0.1
Non-performing loans and receivables acquired for settlement[1]	55.8	66.7
Trade and other receivables	10.8	11.8
Income tax refund claims	4.4	4.5
Other financial assets	12.9	13.6
Cash and cash equivalents	35.7	43.9
Current assets	**119.6**	**140.6**
Total assets	**220.5**	**253.1**
Equity and Liabilities		
Equity attributable to equity holders of the parent	7.6	30.6
Non-controlling interests	0.8	0.8
Total Equity	**8.4**	**31.4**
Non-current liabilities		
Liabilities to banks	71.9	0.0
Derivatives with negative fair values	1.3	0.7
Other financial liabilities	32.7	114.8
Provisions	0.6	0.8
Provisions for pensions	5.3	4.8
Deferred tax liabilities	11.0	18.5
Non-current liabilities	**122.7**	**139.5**
Current liabilities		
Liabilities to banks	7.5	0.0
Derivatives with negative fair values	0.6	0.4
Trade payables and other liabilities	9.5	12.5
Other financial liabilities	42.5	36.0
Income tax provisions	17.6	18.8
Provisions	11.7	14.4
Current liabilities	**89.4**	**82.2**
Total Liabilities	**212.2**	**221.8**
Total equity and liabilities	**220.5**	**253.1**
Sum of current and non-current non-performing loans and receivables required for settlement	**103.7**	**135.5**

(1) The balance sheet figures as of December 31, 2014 included in this table are derived from the DACH Division 2015 Audited Consolidated Financial Statements where the prior-year comparative figures as of and for the financial year ended December 31, 2014 were retrospectively adjusted due to changes in accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement.'' See ''*Presentation of Financial and Other Information*'' and Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements. Therefore, the adjusted balance sheet figures as of December 31, 2014 derived from the DACH Division 2015 Audited Consolidated Financial Statements differ from those in the DACH Division 2014 Audited Consolidated Financial Statements.

Summary DACH Division Cash Flow Statement Information

	Financial Year	
	2014	2015
	(in € million) (audited)	
Cash flow from operating activities	36.9	66.8
Cash flow from investing activities	(29.7)	(58.7)
Cash flow from financing activities	(31.6)	0.0
Change in cash and cash equivalents	(24.3)	8.1
Cash and cash equivalents at the end of the period	35.7	43.9
Thereof restricted cash(1)	24.4	20.4

(1) Restricted cash corresponds to payment transfer obligations that existed as of the respective DACH Division balance sheet dates.

Other DACH Division Financial and Operating Data

	Financial Year	
	2014	2015
	(in € million, unless otherwise indicated) (unaudited)	
Gross Collections on purchased debt (including payment receipts from secured portfolios)(1)	91.7	115.4
Debt purchase revenue(2)	67.6	91.3
Third-party collection services revenue(3)	86.6	83.0
Revenue	243.9	271.9
DACH Pro Forma Normalized Adjusted EBITDA(4)	66.5	82.9
Acquisitions of non-performing loans and receivables acquired for settlement	27.8	62.3

(1) Gross Collections refers to payment receipts as shown in the notes to the DACH Division Consolidated Financial Statements, adding back put-backs and including payment receipts from secured portfolios.

	As of December 31,	
	2014	2015
	(in € million) (unaudited)	
Payment receipts	90.0	108.6
Thereof payment receipts from secured portfolios	0.1	0.1
Thereof payment receipts from unsecured portfolios	89.9	108.5
Put-backs	1.7	6.8
Thereof secured	—	3.9
Thereof unsecured	1.7	2.9
Gross Collections (including payment receipts from secured portfolios)	**91.7**	**115.4**
Gross Collections	**91.6**	**111.5**

(2) Debt purchase revenue refers to revenue from acquired portfolios as shown in the notes to the DACH Division Consolidated Financial Statements. The DACH Division changed its accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement'' and adjusted the prior-year comparative figures as of and for the year ended December 31, 2014 retrospectively with effect to January 1, 2014 in the DACH Division 2015 Audited Consolidated Financial Statements. The debt purchase revenue figures for the years ended December 31, 2014 and 2015 were derived from figures presented in the DACH Division 2015 Audited Consolidated Financial Statements.

(3) Third-party collection services revenue refers to fees from the collection process and cost refunds from the collection process as shown in the notes to the DACH Division Consolidated Financial Statements (excluding any lawyer service revenue).

(4) DACH Pro Forma Normalized Adjusted EBITDA is calculated as consolidated profit/loss for the period before profit/loss from discontinued operations, income taxes, interest and similar expenses, interest and similar income and depreciation, amortization and impairment expense, each as shown in the DACH Division Consolidated Financial Statements, before non-recurring or exceptional items plus *pro forma* adjustments to account for the full year effects of certain projected rental savings and further adjusted for NPL portfolio amortizations, proceeds from the sale of a secured portfolio, changes in fair

value of our purchased debt portfolios and direct write-offs related to our DACH Division's historical product PayProtect. Non-recurring or exceptional items include costs incurred in connection with certain restructurings and relocations, certain projects including projects in connection with its data analytics capabilities, provisions for contingent losses, acquisition-related corrections, provisions for VAT risks, the buyback of an issued promissory note, certain refinancing expenses, the sale of certain of our subsidiaries/affiliates, the release of certain provisions, the disposal and related litigation of our former subsidiary Domusvenda Holding SGPS S.A. and certain other adjustments. Our DACH Division uses DACH Pro Forma Normalized Adjusted EBITDA as a measure of operating cash flow generation and the liquidity of our DACH Division's business. DACH Pro Forma Normalized Adjusted EBITDA is not a measure of financial performance calculated in accordance with IFRS and should be viewed as a supplement to, not a substitute for, our DACH Division's results of operations presented in accordance with IFRS. See ''*Presentation of Financial and Other Information*.'' The reconciliation of our DACH Division's consolidated profit/(loss) for the period to DACH Pro Forma Normalized Adjusted EBITDA is included for consistency and the convenience of the investors and is as follows:

	For the year ended December 31,	
	2014[s]	**2015**
	(in € million) (unaudited)	
Consolidated profit/(loss) for the period	**15.1**	**22.5**
Profit/loss from discontinued operations	2.3	—
Income taxes	11.0	11.1
Financial result[a]	15.5	9.3
Depreciation, amortization and impairment expenses	6.3	4.1
Restructuring / relocation[b]	1.7	3.9
Projects[c]	0.9	0.2
Data analytics[d]	0.9	1.4
Provision for contingent losses[e]	(0.6)	1.1
Provision for VAT risks[f]	(11.2)	0.1
Revaluation effects[g]	0.0	0.5
Refinancing[h]	0.3	0.1
Sale of subsidiaries / affiliates[i]	0.5	0.1
Miscellaneous provisions[j]	—	(0.1)
Domusvenda[k]	(0.3)	(0.3)
Other[l]	(0.1)	1.5
Rental savings (net)[m]	0.5	—
Amortization of purchased debt[n]	45.6	57.0
Proceeds from the sale of a secured portfolio[o]	—	3.9
Direct write-downs[p]	0.6	1.3
Revaluation of purchased debt excluding direct write-downs[q]	(22.2)	(34.4)
Revaluation effects[r]	(0.0)	(0.5)
DACH Pro Forma Normalized Adjusted EBITDA	**66.5**	**82.9**

(a) Represents the sum of interest and similar income and interest and similar expenses, net.

(b) Represents the focused program of organizational and legal restructuring measures the DACH Division undertook which had negative financial one-off effects on the DACH Division's income statement. In the financial year ended December 31, 2012, management decided to centralize the formerly geographically spread archives of the entities in Gelsenkirchen and to introduce a shared service center. The centralization started in the financial year 2013 and the archive was fully operational from January 2014 onwards. The implementation of the service center incurred further exceptional costs in the financial year 2014 (€0.3 million). In addition, management decided to relocate the headquarters and the activities of several operating entities to a central location in Essen which was completed in June 2014. Expenses related to this relocation were exceptional removal costs of €0.5 million in the financial year 2014. Furthermore, in 2014 and 2015, severance payments have been made in relation to a cost savings program which has run under the project umbrella name of ''GFKL 2.0'' mainly related to personnel cost savings, which had impacts of €0.4 million and €2.1 million in the years ended December 31, 2014 and 2015, respectively. The 2015 severance payments include payments to certain board members who departed the board of €0.6 million. In connection with the aforementioned restructuring, the DACH Division also incurred exceptional strategy consultancy and other advisory fees of €0.5 million in the financial year 2014. In the fiscal year ended December 31, 2015, there were recorded expenses related to the relocation of GFKL Collections GmbH from Potsdam to Düsseldorf (€0.5 million) and to the external consultancy costs in connection with the recalculation of the portfolios, reprogramming of the forecasting system and reporting of *pro forma* results (€0.6 million).

(c) Represents the costs from several improvements and corporate development projects, including the alignment of the payment processing systems to the new SEPA requirements. In the year ended December 31, 2014, the DACH Division also incurred costs of €0.3 million in connection with the SAP implementation at the DACH Division's subsidiary ZYK, the further integration of sub-ledger systems (€0.1 million), as well as further exceptional projects (€0.5 million), including the development and implementation of an office design project prior to the DACH Division's relocation in 2014. In 2015, the DACH Division incurred further costs of €0.1 million in connection with the SAP implementation at the DACH Division's subsidiary ZYK.

(d) Represents the expenses from a data analytics project that the DACH Division initiated to improve cash collection effectiveness, enhance process efficiency and increase precision in pricing. The normalization related to external consultancy costs to design and oversee the implementation of this project as well as personnel expenses.

(e) Represents adjustments relating to a provision for an onerous contract. PCS agreed to a three-year contract for the revolving purchases of debt portfolios which proved to be onerous after the agreement was entered into. The estimated aggregate loss until the end of the contractual term in March 2015 of €3.2 million was recorded in 2012. In the years 2014 and 2015 the actual losses resulting from the contract proved to be smaller than expected and recorded in 2012 leading to partial releases of the onerous contract provision in the financial years 2014 and 2015 summing up to €0.8 million (€0.6 million in 2014 and €0.2 million in 2015). The above-mentioned amounts were adjusted in 2014 and 2015, respectively. In 2015, PCS agreed a contract for the revolving purchases of debt portfolios which proved to be onerous after the agreement was entered into. The estimated aggregate loss of €1.3 million was recorded in December 2015 and adjusted hereby.

(f) Represents the release of certain VAT provisions. On October 27, 2011, the European Court of Justice (''**ECJ**'') decided that acquisitions of NPLs are not subject to VAT. This court decision was adopted by the German Federal Tax Court (''**BFH**'') in a decision dated January 26, 2012. The BFH decision also said that no input VAT could be claimed on costs incurred in connection with NPL acquisitions as well as on costs incurred in connection with the collection of the receivables. In the period from the year ended December 31, 2004 to the year ended December 31, 2011, the DACH Division did not entirely treat the purchases of NPLs as subject to VAT, i.e., in some cases no VAT was collected and paid to the tax authorities. During that period, the DACH Division claimed full input VAT incurred from costs in the context of the acquisition and the collection of the NPLs. Due to the new case law an accrual for non-claimable input VAT for the year ended December 31, 2004 to the year ended December 31, 2011 (including interest) was set up per the year ended December 31, 2011 amounting to €15.3 million. The DACH Division applied a lump-sum rate of 30% on the total input VAT amounts as being non-deductible for the period February 2012 through December 2012. Following a written statement (dated October 22, 2012) of the German Federal Ministry for Finance towards the Federal association of credits and servicing (''Bundesvereinigung Kreditankauf und Service e.V.'' (''**BKS**'')) stating that the tax authorities are going to apply the existing guidelines, the 30% lump sum approach was used in December 2012 the last time. The DACH Division consequently provided for an estimated VAT risk of €0.4 million in 2012 on top of expensing input VAT of €3.7 million during that same year. Following the statement towards BKS, the DACH Division decided to claim the omitted 2012 pre-tax VAT and have reduced the DACH Division provision for NPL VAT with corresponding income shown on the DACH Division's 2014 income statement of € 4.1 million. Based on the interim results of an ongoing tax audit, the DACH Division also released in the year ended December 31, 2014 further amounts from this provision relating to periods prior to 2012 in the amount of € 7.1 million. Based on the tax decree issued by the German Federal Ministry of Finance dated December 2, 2015 and the updated German VAT Guidelines, the previous guidance from the German tax authorities will remain in effect for the historical periods with respect to NPLs acquired before July 1, 2016 and the respective transfers performed before January 1, 2019, i.e., that the purchase of NPLs still qualifies as a VAT-taxable service allowing for deduction of input VAT for the respective historical periods. It is not clear whether the DACH Division may be able to claim a refund of input VAT successfully for these periods. In 2015, €0.1 million related to accrued interest on our then-outstanding provisions for VAT risk. See also ''Risk Factors—The VAT treatment of the purchase of non-performing loans performed by us may be challenged or changed resulting in additional cash out for VAT.''

(g) Represents adjustments for the PPS purchased debt portfolios. Until 2012, the DACH Division's subsidiary PPS owned four real estate secured loans as part of its debt purchase portfolio. The fair value of these loans fluctuated depending on the status of the discussions with potential buyers of the properties. The impact at EBIT level of the fair value changes was normalized as large collateralized loans are not part of the Group's normal operations anymore.

(h) Represents refinancing-related costs, which have been normalized based on their non-operating nature. In 2014, these refinancing costs included consulting costs (€0.1 million) and a premium fee related to a redeemed loan agreement (€0.1 million); in 2015 the DACH Division incurred costs for not-realized securitization (€0.1 million).

(i) Represents adjustments for the sales of certain entities. In 2014, a loss was recorded from the disposal of Multigestión Group and the inactive German entity SBL Mobilien GmbH. In 2015, the DACH Division incurred an additional €0.1 million in related consulting costs in connection with the sale of Multigestión Group.

(j) In 2015, the normalization represents the release of a provision related to a contribution to Industrie und Handelskammer.

(k) Represents disposal and related litigation of the DACH Division's former joint venture Domusvenda Holding SGPS S.A. the DACH Division previously owned 50% of the shares in a joint venture in Portugal (Domusvenda Holding SGPS S.A.). Following disputes between the joint venture partners and the directors of Domusvenda Holding SGPS S.A. and subsequent lawsuits in 2011, the DACH Division filed an application to open insolvency proceedings for Domusvenda Holding SGPS S.A. in 2012. During 2013, the DACH Division sold the shares in Domusvenda Holding SGPS S.A. for €1. As part of the settlement with the DACH Division's joint venture partner, it received monthly payments of €30,000 starting from April 2013 to be paid over a 60-month period. The release of a previously recorded bad debt provision due to receipt of the above-mentioned monthly payments in 2013 and 2014 as well as legal and consulting fees in connection with the aforementioned litigation and the disposal of shares have all been normalized.

(l) The amount of €1.5 million recognized 2015 related to certain legal consultancy expenses, tax related expenses and a provision for doubtful debts.

(m) Rental savings (net) includes the annual savings that resulted in connection with the relocation of the DACH Division's headquarters to a new location in the city of Essen, Germany in July 2014 which was partially offset by increased rent expenses incurred in connection with the establishment of a shared service center in Gelsenkirchen, Germany that increased rental expenses by €0.3 million per annum. To the extent not already reflected in the actual figures, these two effects have been retroactively applied to the historical periods. For 2014, this amounted to €0.5 million.

(n) Amortization of purchased debt is the difference between collections and revenue recognized in the consolidated income statement as income from acquired portfolios, which includes investment income in the fiscal years ended December 31, 2014 and December 31, 2015, respectively. While the amortization of purchased debt portfolios is recognized on the DACH Division's consolidated balance sheet, it is also cash effective. Amortization of purchased debt does not include any amortizations reflected in the depreciation, amortization and impairment expense line-item in the DACH Division's consolidated income statement. It is shown in the notes to the DACH Division's Consolidated Financial Statements as repayment of non-performing loans and receivables acquired for settlement. See ''*Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecast and Revaluation of Purchased Debt Portfolios—Recognition of Revenue from Purchased Debt*.''

(o) Following the DACH Division's strategic repositioning of PPS and its decision to discontinue its debt purchase business with large property-secured NPL portfolios, the DACH Division disposed of one of the remaining assets out of this property-secured NPL portfolio in February 2015 and have realized proceeds (including the extinguishment of existing liabilities) of €4.6 million upon this disposal. A provision of €0.6 million has been recorded to cover contingencies from this disposal. A significant part of the proceeds equivalent to the NPL carrying amount (€3.9 million) has been part of the cash flow from investing activities in the DACH Division 2015 Audited Consolidated Financial Statements and the DACH Division added this amount to the amortization of acquired debt portfolios, which is where it would have been recognized had the assets remained in the DACH Division's portfolio and had the DACH Division received the expected collections thereon, to reflect the entire effect from this transaction in DACH Pro Forma Normalized Adjusted EBITDA.

(p) Represents the direct write-downs in connection with PayProtect for the years ended December 31, 2014 and 2015 and is shown in the notes to the DACH Division Consolidated Financial Statements as direct write-downs of non-performing loans and receivables acquired for settlement.

(q) Revaluation of purchased debt is shown in the notes to the DACH Division Consolidated Financial Statements as changes of non-performing loans and receivables acquired for settlement from measurement at amortized cost in the fiscal years ended December 31, 2014 and December 31, 2015, respectively. Following the initial recognition of a purchased debt portfolio at its purchase price, the carrying amount of a purchased debt portfolio is rolled forward each month and decreased by the calculated portfolio amortization. As the purchased debt portfolios are recognized at amortized cost, their value can be revalued, either positively or negatively. The determination of whether a purchased debt portfolio's carrying amount should be revalued to reflect its current carrying amount is typically made at the end of each fiscal year. However, an intra-year revaluation may be triggered when current collections over the most recent three months deviate from forecast collections by more than 15%. Changes in the carrying amount of a debt portfolio are recorded in the consolidated income statement. These changes are not cash effective. See ''*Management's Discussion and Analysis of the DACH Division Financial Condition and Results of Operations—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecast and Revaluation of Purchased Debt Portfolios—Revaluation of Purchased Debt Portfolios*.''

(r) Revaluation of purchased debt excluding direct write-downs includes a write-down in real estate secured loans of €0.5 million in 2015, as already adjusted in this table in the first line titled ''Revaluation effects,'' see also note (g). In order to avoid eliminating these effects twice they are added back.

(s) The income and expense figures for the financial year ended December 31, 2014 included in this table are derived from the DACH Division 2015 Audited Consolidated Financial Statements as well as the DACH Division's accounting records where the prior-year comparative figures as of and for the financial year ended December 31, 2014 were retrospectively adjusted due to changes in accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement''. See *Presentation of Financial and Other Information* and Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements. Therefore, the adjusted income and expense figures for the financial year ended December 31, 2014 derived from the DACH Division 2015 Audited Consolidated Financial Statements differ from those derived from the DACH Division 2014 Audited Consolidated Financial Statements.

SUMMARY NON-FINANCIAL OPERATING DATA OF THE GROUP

The following tables present summary unaudited non-financial operating data for the Group. The non-financial operating data of the Group are derived from management estimates, are not part of our financial statements or financial accounting records, and have not been audited by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. These data are presented for illustrative purposes only.

The combined data have been derived from the combination of the non-financial operating data of the UK Division and the DACH Division without adjustment and the combined data for the year ended December 31, 2015 have been derived from the combination of the non-financial operating data of the UK Division and the DACH Division without adjustment, assuming the Lowell Acquisition and the GFKL Acquisition had occurred on January 1, 2015. The combined data are not intended to be a projection of future results. Future results may vary significantly from the results reflected in the following tables because of various factors, including those discussed in ''Risk Factors.'' For more information about our non-financial operating data, see ''Presentation of Financial and Other Information—Non-Financial Operating Data.''

The following tables should be read in conjunction with ''Use of Proceeds,'' ''Capitalization,'' ''Selected Group Consolidated Financial Information,'' ''Selected DACH Division Consolidated Financial Information,'' ''Selected UK Division Consolidated Financial Information'' ''Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations,'' ''Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations,'' ''Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations,'' ''Description of the Notes'' and the Unaudited Pro Forma Condensed Consolidated Financial Information and the notes related thereto included elsewhere in this Offering Memorandum. Historical results are not necessarily indicative of future expected results.

ERC by Vintage (2003 through June 30, 2017)

Calendar Year Acquired(1)	UK Division ERC(2)	DACH Division ERC(3)(4)	Group ERC(5)
		(in £ millions)	
2003	—	1.2	1.2
2004	1.0	10.5	11.5
2005	3.1	2.3	5.4
2006	5.8	18.4	24.2
2007	10.2	77.9	88.1
2008	15.9	2.5	18.4
2009	25.3	86.0	111.3
2010	26.1	15.9	42.0
2011	51.9	6.5	58.4
2012	100.1	15.8	115.9
2013	138.3	26.1	164.4
2014	212.3	36.1	248.4
2015	308.0	64.5	372.5
2016	384.0	139.9	523.9
2017	155.7	31.7	187.4
Total ERC	**1,437.8**	**535.2**	**1,973.1**
Total 84-month ERC	**1,220.1**	**387.5**	**1,607.6**
Total 120-month ERC	**1,437.8**	**460.1**	**1,898.0**

(1) Based on the applicable calendar year for the UK Division and DACH Division.

(2) The UK Division calculates its ERC based upon a 120-month period. For more information about the calculation of ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data.*''

(3) The DACH Division calculates its ERC based upon a 180-month period. For more information about the calculation of ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data.*''

(4) In order to generate the Group operating data, the DACH Division's operating data was converted from euros to pounds sterling. For conversion of our DACH Division's ERC as of June 30, 2017, an end-of-period rate of £0.879 to €1.000 as at June 30, 2017 was used, in order to align with reported figures.

(5) Group ERC was calculated based on the combination of the UK Division's ERC for its purchased debt portfolios and the DACH Division's ERC for its purchased debt portfolios. While the underlying methodologies the UK Division and DACH Division use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and, as a result, the ERC results for the UK Division and DACH Division may not be directly comparable. For more information about ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data.*'' Group ERC (as a combined metric) was calculated, without adjustment. Group ERC is presented for illustrative purposes only and is not intended to be a projection of future results. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in ''*Risk Factors*.''

ERC by Year as of June 30, 2017	**UK Division ERC[(1)]**	**DACH Division ERC[(2)(3)]**	**Group ERC[(4)]**
		(in £ millions)	
0 - 12 months	320.6	97.2	417.9
13 - 24 months	239.4	72.5	311.9
25 - 36 months	187.2	58.7	245.9
37 - 48 months	148.6	49.2	197.8
49 - 60 months	123.4	42.0	165.3
61 - 72 months	107.2	36.2	143.5
73 - 84 months	93.7	31.6	125.3
85 - 96 months	82.0	27.6	109.6
97 - 108 months	72.1	24.0	96.1
109 - 120 months	63.7	21.0	84.7
121 - 132 months	—	18.6	18.6
133 - 144 months	—	16.5	16.5
145 - 156 months	—	14.8	14.8
157 - 168 months	—	13.3	13.3
169 - 180 months	—	12.0	12.0
Total ERC	**1,437.8**	**535.2**	**1,973.1**

(1) The UK Division calculates its ERC based upon a 120-month period. For more information about the calculation of ERC, see ''Presentation of Financial and Other Information—Non-Financial Operating Data.''

(2) The DACH Division calculates its ERC based upon a 180-month period. For more information about the calculation of ERC, see ''Presentation of Financial and Other Information—Non-Financial Operating Data.''

(3) In order to generate the Group operating data, the DACH Division's operating data was converted from euros to pounds sterling. For conversion of the DACH Division's ERC as of June 30, 2017, an end-of-period rate of £0.879 to €1.000 as at June 30, 2017 was used, in order to align with reported figures.

(4) Group ERC was calculated based on the combination of the UK Division's ERC for its purchased debt portfolios and the DACH Division's ERC for its purchased debt portfolios. While the underlying methodologies the UK Division and the DACH Division use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and, as a result, the ERC results for the UK Division and the DACH Division may not be directly comparable. For more information about ERC, see ''Presentation of Financial and Other Information—Non-Financial Operating Data.'' Group ERC (as a combined metric) was calculated, without adjustment. Group ERC is presented for illustrative purposes only and is not intended to be a projection of future results. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in ''Risk Factors.''

Portfolio Purchases Face Value of Purchased Debt & Gross Money Multiples by Vintage

Period Acquired[(1)]	Portfolio purchases[(1)] (In £ millions)[(2)]			Face value of purchased debt[(1)] (in £ billions)[(2)]			Gross Money Multiples[(3)]	
Portfolio purchases	UK Division	DACH Division	Combined	UK Division	DACH Division	Combined	UK Division	DACH Division
2003	—	0.6	0.6	—	0.01	0.0	—	5.2x
2004	16.0	7.1	23.1	0.3	0.13	0.4	2.0x	4.2x
2005	32.2	1.7	34.0	0.3	0.01	0.3	1.5x	5.0x
2006	41.0	12.3	53.3	0.8	0.30	1.1	2.5x	3.7x
2007	57.2	49.2	106.4	1.5	0.40	1.9	2.1x	4.3x
2008	61.8	6.2	68.0	1.5	0.04	1.5	2.5x	3.1x
2009	62.7	63.7	126.5	1.0	0.63	1.7	3.0x	4.8x
2010	60.9	13.5	74.4	1.1	0.64	1.8	2.7x	3.8x
2011	73.6	12.1	85.7	1.4	0.08	1.5	2.9x	2.7x
2012	110.8	28.2	139.0	1.7	0.14	1.8	2.7x	2.1x
2013	111.2	20.7	131.9	2.0	0.13	2.1	2.9x	3.0x
2014	154.3	38.8	193.0	1.8	0.14	2.0	2.7x	2.1x
2015	205.1	41.9	247.0	2.3	0.60	2.9	2.4x	2.4x
2016	228.9	75.3	304.1	1.6	0.74	2.3	2.1x	2.2x
2017[(4)]	86.7	8.8	95.5	0.6	0.70	1.3	1.9x	3.7x
Total	**1,302.5**	**380.0**[(5)]	**1,682.5**	**17.9**	**4.7**[(5)]	**22.6**	**2.4x**	**3.2x**

(1) Based on Group reporting period: January to December. For the UK Division, the number of owned debt portfolios represents the number of individual portfolios of accounts that the UK Division owns as of the date specified. Where more than one portfolio has been purchased from a vendor in the same month, such portfolios are grouped together and treated as one portfolio purchase. Each monthly acquisition made under forward flow agreements are treated as a separate debt portfolio for the purposes of this calculation. For the DACH Division's forward flow agreements, a ''portfolio'' consists of 12 monthly debt purchases from a single client grouped together into a single portfolio. The DACH Division treats the year the first purchase was made under such an arrangement as the vintage for such a portfolio. Since 2014, the DACH Division has structured its forward flow agreements such that the first purchase occurs in December and the last purchase occurs in November of the following year. As a result, the amount spent on portfolios of a given vintage may not equal the amount spent by the DACH Division on debt portfolios during that same year.

(2) In order to generate the Group operating data, the DACH Division's operating data were converted from euros to pounds sterling. For conversion of the value of the DACH Division's portfolio purchases during the indicated periods, we used the average exchange rate for operating data from such period as set forth in ''*Exchange Rate Information*.'' For conversion of the face value of the DACH Division's purchased debt as of the end of the indicated periods, we used the exchange rate for operating data as of the end of such period as set forth in ''*Exchange Rate Information*.''

(3) Our Gross Money Multiples fluctuate over time depending on the types of portfolios we are able to purchase. Portfolios originated from certain industries (e.g., the insurance sector), may have higher gross money multiples than portfolios originated from other industries (e.g., financial services).

(4) For the six months ended June 30, 2017.

(5) Had we used the exchange rate as of June 30, 2017 of £0.879 to €1.00, our DACH Division's total portfolio purchases and total face value of purchased debt would have been £421.6 million and £4.9 billion, respectively.

Key Performance Indicators and Other Operating Data for the Group

	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
	2015	2016	2016	2017	June 30, 2017
			(in £ millions)		
Gross ERC (£m)					
UK Division(1)	1,063.3	1,333.5	1,151.9	1,437.8	1,437.8
DACH Division(2)	335.7	501.0	417.4	535.2	535.2
Combined	**1,399.0**	**1,834.5**	**1,569.3**	**1,973.1**	**1,973.1**
Total Purchases (£m)					
UK Division	205.1	228.9	85.4	86.7	230.2
DACH Division(3)	45.2	77.6	29.9	22.3	70.0
Combined	**250.3**	**306.5**	**115.3**	**109.0**	**300.3**
Gross Collections From Purchased Debt Portfolios (£m)					
UK Division	240.3	298.5	138.4	176.0	336.1
DACH Division	83.9	101.2	46.7	58.1	112.7
Combined	**324.2**	**399.7**	**185.1**	**234.1**	**448.7**

(1) The UK Division calculates its ERC based upon a 120-month period. For more information about the calculation of ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data.*''

(2) The DACH Division calculates its ERC based upon a 180-month period. For more information about the calculation of ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data.*'' The DACH Division's ERC from the year ended December 31, 2015 to the year ended December 31, 2016 increased from €455.5 million to €585.3 million. The increase in the DACH Division's ERC between these periods that appears in the table is due to the effects of the euro appreciation against the pound sterling. For 2015, the applicable rate was £0.737 to €1.00, for 2016, the applicable rate was £0.856 to €1.00 and for the 12 months ended June 30, 2017, the applicable rate was £0.879 to €1.00.

(3) The DACH Division purchases reflect the purchases by calendar year and may differ to the purchases by vintage. As a result, the amount spent on portfolios of a given vintage may not equal the amount spent by the DACH Division on debt portfolios during that same year.

(in £ millions, unless otherwise indicated)	As of and for twelve months ended June 30, 2017
Third party debt under management as of June 30, 2017	
UK Division	379.8
DACH Division	9,638.5
Combined	10,018.3
Third party collections for the 12 months ended June 30, 2017	
UK Division	98.7
DACH Division	275.1
Combined	373.8

RISK FACTORS

An investment in the Notes involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, the trading prices of the Notes could decline, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment. The order in which these risks are presented is not intended to provide an indication of the likelihood of their occurrence or their severity or significance.

This Offering Memorandum also contains ''forward-looking'' statements that may be based on assumptions and estimates that are subject to further risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, the risks described below and elsewhere in this Offering Memorandum. For further information, see ''Forward-Looking Statements.''

Risks Related to Our Business and Industry

We are subject to UK, German and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business.

As a business operating in the EU, we are subject to a variety of national and EU regulations, including laws and regulations regarding anti-money laundering and terrorist financing, unfair competition, and price fixing. In case of non-compliance, the relevant authorities may, *inter alia*, impose a fine, public censure and remove or restrict an entity's license. Furthermore, adverse regulatory developments under any of the laws and regulations applicable to our operations could expose us to a number of risks. Individual employees may act against our instructions and either inadvertently or deliberately violate applicable laws, including competition laws and regulations by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or clients. Such actions may harm our reputation and, if we are held responsible, the resulting fines and other sanctions could be substantial. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Our UK Division and DACH Division are also subject to various complex laws and regulations that are more specifically related to the CMS industry. See ''*Regulation*,'' and ''*Industry and Market Data—Legal and Regulatory Framework*'' for additional information.

Regulations affecting our UK Division

Our UK debt collection business is conducted through a number of subsidiaries, such that the entity conducting the collections business is not necessarily the ''creditor'' under the agreement (where under the Consumer Credit Act the ''creditor'' is the originator or the entity that has purchased the debt). On April 1, 2014, the Financial Conduct Authority (the ''**FCA**'') took over regulation of consumer credit (including debt purchase and debt collection) from the Office of Fair Trading (the ''**OFT**''). Any of our entities in the UK that collect debt due to other entities under certain types of consumer credit agreements or that have purchased debt and hold financial interests in debt due under consumer credit agreements are required to apply for, obtain and maintain authorization from the FCA or be exempt from authorization. From April 1, 2014, all firms undertaking consumer credit regulated activity that prior to April 1, 2014 had a consumer credit license from the OFT, were required to have an interim permission from the FCA to carry on their regulated activities until they received full authorization or the FCA refused to grant full authorization. All relevant UK Division companies had an interim permission and now have full FCA authorization.

Firms authorized by the FCA must be able to demonstrate that they are ''fit and proper'' to be authorized. In addition, certain individuals within the firm who exercise a ''significant influence'' in the business of the firm or who hold exercise specified functions (such as the CEO, chief compliance officer and money laundering reporting officer) must be approved by the FCA and these individuals must demonstrate that they are also fit, proper and competent to hold the position of an ''approved person.'' The FCA issues rules and guidance on how it expects firms to conduct their business and for the individuals it approves in the capacity of an "approved person." In March 2016, the Approved Persons Regime was replaced with the Senior Managers and Certification Regime ("**SM&CR**") for banks in order to implement a new accountability framework that was more focused on senior management with a view that firms should take more responsibility for making sure their employees are fit and proper coupled with the need for better standards of conduct at all levels in banks. The original legislation did not cover all FSMA authorized firms or insurers but the FCA has now confirmed in its Consultation Paper CP 17/26 that following recent changes to FSMA, the SM&CR regime will extend to all FSMA authorized firms, including the relevant subsidiaries in the UK Division. Although it is not yet known on which date this extension will take place, this is likely to be by the end of 2018.

Failure to comply with any rules or guidance issued by the FCA is likely to have serious consequences, for example:

- The FCA may take enforcement action against a firm which could result in fines, public censure, the withdrawal of regulatory licenses and/or remediation action for consumers. Any such enforcement action would be publicly known and would involve severe reputational damage, with vendors of debt portfolios and creditors outsourcing collection activity likely to remove their business from a debt purchaser or collector that is the subject of such enforcement action;
- Firms can be subject to a section 166 notice by the FCA, which may ensue where the FCA has identified issues within the firm regarding non-compliance with the FCA rules and guidance. Pursuant to a section 166 notice, the FCA either commissions, or requires the firm to commission, a "skilled persons" report. A "skilled persons" report is performed by an independent firm, usually an audit or law firm that is deemed by the FCA to have the necessary skills and expertise to review the areas of concern. The report is shared with the firm being reviewed and the FCA, which may decide to take enforcement action in relation to any weaknesses identified. Remedial action highlighted is tracked by the FCA through close liaison with the firm. Failure to remedy points raised and/or do so in sufficient time can lead to further enforcement action including fines. The cost of such a review is borne by the firm. A section 166 notice may become publicly available, and if we become subject to such a notice, originators that currently do business with us may cease to do so, and our ability to purchase debt or collect debt through our UK operations, along with our reputation, and consequently, our ability to win future business may be adversely affected. We might also be required, or otherwise decide, to introduce changes to our business practices in the UK in response to enforcement action taken against some of our competitors which highlights certain practices which are of concern to the regulator.

The FCA regards debt collection (and debt purchase) as a "high risk" industry and therefore dedicates special resources to more intensive monitoring of businesses in this sector. The FCA has issued rules relating to the debt collection sector and has created a sector-specific Consumer Credit Sourcebook ("**CONC**") which applies specifically to consumer credit firms such as ours. CONC sets out detailed standards, in the form of specific rules and guidance, which businesses must satisfy and is also applicable to creditors that collect debt owed to themselves directly under consumer credit agreements. CONC also contains other guidance that is relevant to debt collection (and other consumer credit) businesses.

Our UK operations also conduct themselves in accordance with the provisions of the Lending Standards Board's Standards of Lending Practice (previously the Lending Code), which are voluntary, but widely adhered to, standards of practice applicable to banks and building societies in the UK that are relevant to lending and debt collection activities. While we are not a subscriber to the Standards of Lending Practice, a number of our clients in the UK are banks, and as such they must ensure that the third parties they use offer standards that meet the requirements of the Standards of Lending Practice. Further, we may be subject to contractual obligations to observe certain requirements to ensure that our UK operations are conducted in a way that is consistent with certain FCA rules or requirements and certain provisions of the Standards of Lending Practice, including, for example, being subject to audits by debt originators.

The FCA has investigated the lending practices relating to "pay-day lending." This and future investigations may also result in tighter regulation of, and new restrictions on, debt collection as a whole.

A properly authorized debt collection (or other consumer credit) business is also affected by, or subject to, numerous detailed legislative requirements, principally contained in the CCA (and secondary legislation thereunder), Unfair Terms in Consumer Contracts Regulations 1999 (the ''**UTCCRs**'') and the Consumer Rights Act 2015 (the ''**CRA**''). These legal requirements oblige creditors to, among other things:

- provide consumers with prescribed forms of pre-contractual documentation;
- provide consumers with prescribed credit agreement documentation at the outset;
- enable consumers to obtain copies of credit agreement documentation;
- provide consumers with prescribed forms of post-contractual statements and notices;
- provide a ''fair relationship'' between themselves and the consumer; and
- ensure that their agreements do not contain unfair terms (and stipulate that any unfair terms are void).

A failure to comply with these requirements can have different consequences, but in some cases, failures can cause agreements or certain terms to be deemed unenforceable (meaning that in some cases the outstanding debt and interest cannot be collected). This could affect our ability to recover on the accounts underlying our debt portfolios in the UK. An agreement could be deemed unenforceable when we, as the debt collector or purchaser of the debt, or the originator, fail to comply with the applicable requirements. Further, where a regulated credit agreement is entered into without the lender having the required FCA permission, the agreement is unenforceable without an order of the FCA and where an unauthorized credit broker referred the borrower to an authorized lender, the resulting regulated credit agreement between the lender and the borrower is unenforceable without an order of the FCA. It is important, therefore, that lenders who originate business through brokers ensure the brokers are appropriately authorized.

In addition, our UK debt collection (and broader consumer credit) business is subject to an obligation to act fairly, as set out in the Consumer Protection from Unfair Trading Regulations 2008. Breach of certain of these regulations is a criminal offence. From October 1, 2014 consumers have also had a right of redress for misleading or aggressive commercial practices.

Consumer protection is the principal aim of the legislation that applies to us. The UK Financial Ombudsman Service (the ''**FOS**'') acts as an independent adjudicator of the consumer complaints made to it. The FOS makes a decision based on what is fair and reasonable and good practice rather than strictly on the basis of compliance with the law. Certain claims brought before the FOS trigger a fee, which is paid by the business subject to the complaint, whether or not it successfully defends against such claims. A decision by the FOS is binding on the business, but not on the consumer.

In certain situations we outsource some of our accounts to third party DCAs. This is usually as a result of our own internal collection activity coming to an end. Generally, the use of DCAs may represent one of the more significant conduct risks faced by us, particularly in the way this part of our business model tests our controls in relation to DCAs. To the extent these third parties violate laws or other regulatory requirements in their collection efforts in the UK, it could also negatively impact our business by harming our reputation or, in some cases, resulting in penalties being directly imposed on us, as the FCA expects businesses to carefully select third parties with which they work and take responsibility for ensuring their compliance.

Changes to the UK laws and regulations that affect us, or changes in the manner in which these laws and regulations are interpreted, could also negatively affect our operations or increase our cost of regulatory compliance.

For example, in 2009, the UK government commenced a consultation process on proposals to shorten the current statute of limitations period in England, Wales, and Northern Ireland from six years to three years. The statute of limitations period is the amount of time that a business has to commence legal proceedings to enforce its debt. While the proposals were not pursued, such a reduction of the statute of limitations period would likely have severely affected the ability of debt collectors to trace consumers, successfully employ debt collection strategies and have the right to enforce debt. This change would therefore have had a serious impact on our current business model in the UK. If the statute of limitations period were to have been reduced, the value of purchased debt on our financial statements could have been reduced because the portion of amounts recovered would have decreased, leading to significant write offs. We could also have seen a reduction in the market size for debt purchase or higher marginal costs in the UK debt collection industry, as court proceedings might have been initiated earlier in the credit cycle. There can be no assurance that the statute of limitations period will not be shortened in the future.

We currently outsource in the UK to DCAs on a contingent basis. Although they are subject to quality checks to monitor that fair outcomes are being achieved, the DCAs are paid a commission based on collections achieved. Any change in laws or regulations restricting or prohibiting this practice of contingent collections could result in a change in our arrangements with DCAs in the UK to less variable cost structures, such as fixed fee arrangements. This would increase our fixed cost base, thereby causing our collection costs to rise without necessarily increasing collections. 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 a similar change of law or regulations were implemented in relation to the debt purchase and collection industries, this could negatively affect our ability to operate successfully using our current business model in the UK, which could have a material adverse effect on our financial returns and results of operations. We are not currently aware of any such proposal in relation to DCAs or other participants in the debt purchase and collection industries. In July 2017 the FCA published the findings of its thematic review of staff incentives, remuneration and performance management in the consumer credit industry (CP17/20) which proposes a new rule and guidance in CONC, as well as non-Handbook guidance and is consulting on measures to address risks it identified that can arise from the way consumer credit firms pay or incentivize their staff. While the consultation paper does not propose to restrict the way in which firms can pay for collections activities per se, an example of there being an increased risk of consumer detriment is where remuneration is linked to the volume or value of collections achieved. Firms must implement policies and procedures to detect and manage such risks.

In December 2016, the FCA also published the findings of its thematic review into ''Early arrears management in unsecured lending'' (TR16/10). The FCA considers that the ways in which firms engage with consumers in the early stages of arrears are likely to be critical to the ultimate outcome for the consumer.

In October 2015, Lowell Solicitors Limited was granted a legal services license by the Solicitor's Regulation Authority (the ''**SRA**'') to undertake debt recovery litigation and we therefore now have a litigation firm within our UK Division which is regulated by the SRA.

The legislative and regulatory environment is also challenging for originators of consumer credit. With the move to the FCA as the regulator of consumer credit businesses, the regulatory focus, consistent with our business focus, is on requiring lenders and debt collectors to exercise ''forbearance'' in relation to consumer debt, to accept affordable repayment offers and to have regard at all times to the ''treating the customer fairly'' principle underpinning the regulatory approach, in order to achieve fair consumer outcomes. Where legislative changes have a detrimental impact on the profitability of issuing credit, we would anticipate a lower issuance of consumer credit which would in turn impact the supply of debt portfolios for sale. A reduction in debt portfolios offered for sale in the UK market may lead to increased prices and lower returns on our investments, which could have a material adverse effect on our business, results of operations or financial condition.

Regulations affecting our DACH Division

The receivables management industry could be subject to increased scrutiny due to political factors, which could lead to changes in laws and regulations in Germany or the European Union. Changes in these laws and regulations, or changes to their interpretation by the relevant supervisory authorities and courts, may reduce our DACH Division's operational flexibility and limit its ability to use its consumer data to price portfolios and create efficient debt collection strategies and regulate the fees, or potential setoffs of fees, charged to the consumer as part of a creditor's default damage (*Verzugsschaden*) for example under German law. In Germany, the regulatory framework for debt collection has been tightened by the Act Against Dubious Business Practices (*Gesetz gegen unseriöse Geschäftspraktiken*) which came into force in October 2013. Under this regulation, *inter alia*, the reimbursement of costs for debt collection is limited, and the costs may not exceed the amount a lawyer would be entitled to claim as compensation for a corresponding activity. In our current business model, our DACH Division generally attempts, in line with best practices in our industry, to achieve recovery of the full amount under the German statutory regime and applicable civil law. Depending on a variety of factors, including legal developments or reputational risks, we may alter our fee policies, which may impact the amount of fees that we can charge to our and our clients' customers in Germany. Such alterations may limit our Gross Collections and available cash and may have an adverse effect on our business. Changes in laws and regulations in particular in Germany or the European Union, or further developments in or changes to their interpretation by supervisory authorities and courts, including limits on the types and amounts of fees (including statutory fees) we and/or external lawyers can pass on to consumers (or a prohibition of such fees) and restrictions on its ability to perform services for external lawyers could also affect the permissibility of our DACH Division's business model. In particular, several of the regulations to which our DACH Division is subject and our interpretations thereof are based on a limited number of court decisions that are not all reconcilable. If court decisions in the future hold more consistently against our positions, our DACH Division's business model could be adversely affected. Any change in these regulations, court decisions, or our interpretations thereof, and any other factors mentioned above may have a material adverse effect on our operations, business or financial position.

By regulation under the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), companies operating in certain industries are not allowed to sell their overdue and defaulted receivables to third parties (*e.g.*, in the insurance industry for premiums). While it is prohibited to purchase their debt, we may provide these companies with up-front payments accounted for as purchased debt, which are made after the receivables have been transferred for service to our DACH Division. In exchange for providing up-front payment, we receive all further collections as a success fee. Such up-front payments only reflect a portion of what a similar debt portfolio may cost in an open market purchase, as our DACH Division purchases only the economic right to collect on a portfolio of debt, not full title to the underlying debt. However, it cannot be excluded that a debt servicing transaction including a third-party collection provider fee may be interpreted by the German regulator to be an illegal sale or purchase of defaulted consumer debt, which may therefore have a material adverse effect on our business, results of operations, financial condition or reputation.

Our DACH Division's debt collection business may also be adversely affected by future supervisory and regulatory restrictions or qualifications. In particular, if the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) were to revise its interpretation of the relevant provision of the German Banking Act such that the ongoing purchase of receivables that are already due and payable qualifies as factoring, *i.e.*, the ongoing purchase of receivables in a commercial manner, and consequently also qualifies as the provision of financial services, our DACH Division's debt collection business could become subject to potentially costly or burdensome licensing requirements under the German Banking Act. See ''*Regulation—Regulation pursuant to the German Banking Act*.''

Furthermore, our group companies that operate in Germany are allowed to conduct our debt collection business only if they are registered under the German Legal Services Act (*Rechtsdienstleistungsgesetz*) which requires proof of aptitude and reliability, theoretical and practical expertise in the area of the legal services to be provided and professional liability insurance coverage. As of the date hereof, SIR, GPP, PCS, IBW, ZYK, GCG, ITT, Tesch Inkasso Forderungsmanagement GmbH, Tesch Inkasso Finance GmbH, Tesch mediafinanz GmbH, Apontas GmbH & Co. KG and Apontas Inkasso GmbH are registered under the German Legal Services Act. If we fail to maintain these requirements, the relevant supervising authority may temporarily prohibit the companies implicated from conducting further debt collections. The supervising authority may also entirely revoke the registration for certain reasons, *e.g.*, if our related insurance coverage is terminated or insufficient. Inability to obtain the registration would have a material adverse effect on our business. See ''*Regulation—Key Regulations Affecting Our DACH Division—Regulation under the German Legal Services Regime*.''

Laws and Regulations affecting our Processing of Personal Data

Our databases contain personal data of our consumers, and our ability to obtain, retain and otherwise process such data is governed by data protection and privacy regulations and guidance issued by, among others, the European Union. Changes to these regulations or secrecy obligations could adversely affect our business.

The process for changing certain privacy regulations that affect our business is currently underway. On April 14, 2016, the EU General Data Protection Regulation (Regulation (EU) 2016/679) was adopted, and it will become effective as of May 25, 2018. On June 30, 2017, the amended German Federal Data Protection Act (*Bundesdatenschutzgesetz*), which aligns this act with the EU General Data Protection Regulation, was promulgated. The amended German Federal Data Protection Act will come into force as of May 25, 2018 and will completely replace the existing act. The UK Government announced on August 7, 2017 its plans for a new Data Protection Bill which will replace the current UK data protection law. The intention is for this Bill to be aligned with the EU General Data Protection Regulation.

The EU General Data Protection Regulation provides for a number of changes to the EU data protection regime, involving the partial replacement of the current national data protection laws by an EU regulation. Once effective, the EU General Data Protection Regulation will strengthen individuals' rights and impose stricter requirements on companies processing personal data. For example, the EU General Data Protection Regulation might limit our rights to process personal data, make it difficult to obtain credit information, lead to cost-intensive administrative processes, oblige us to provide the personal data that we record to consumers in a form that would require additional administrative processes or require substantial changes in our IT environment and organizational structure. In particular, the EU General Data Protection Regulation could impair debt collectors' ability to use consumer data, for example, by restricting their ability to create consumer profiles. The EU General Data Protection Regulation may also make it significantly more difficult to rely on consumers' consent to use their personal data. The EU General Data Protection Regulation may impose a substantially higher compliance burden on us and force us to make changes in the way we use our consumer data that could have a negative impact on our collection effort outcomes. Unfavorable decisions or judgments based on these types of claims or challenges may adversely impact our business. The increased compliance obligations and penalties for processors under the EU General Data Protection Regulation are likely to result in an increase in the cost of data processing services. Although we are initiating several remediation measures, the exact consequences of the EU General Data Protection Regulation on our business will need to be analyzed over the next months. The EU General Data Protection Regulation also provides for significantly increased sanctions and penalties.

In addition to EU regulations, our UK and German operations must comply with national laws and regulations governing the collection, processing and use of data. In the UK, until the EU General Data Protection Regulation comes into force, the collection, processing and use of personal data is governed by the Data Protection Act 1998 and rules, regulations and guidance promulgated by the UK Information Commissioner. As noted above, the UK Government are producing a new Data Protection Bill which will replace the Data Protection Act 1998 which is intended to be aligned with the EU General Data Protection Regulation. On June 23, 2016, the people of the UK voted for the UK to leave the European Union (''**Brexit**''). On March 29, 2017, the UK government officially initiated the UK's exit from the EU. It is yet unclear what consequences Brexit will have on the data protection rules applicable to our UK operations. In Germany, the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) governs such activities. GFKL Holdco's subsidiary, GPP, is registered as a credit bureau under Section 4d of the German Federal Data Protection Act (*Bundesdatenschutzgesetz*), in order to meet the reporting obligations for automated data processing set out in the German Federal Data Protection Act.

Under the German regulatory regime, consumers may challenge the validity of the transfer of purchased debt based on the infringement of data protection regulations or secrecy obligations. Unfavorable decisions or judgments based on these types of claims or challenges may adversely impact our business. Furthermore, data subjects, data protection authorities, competitors as well as consumer protection groups and other authorized associations may pursue claims against subsidiaries of GFKL Holdco for breach of the German data protection regulations. Unfavorable decisions or judgments based on these types of claims or challenges may result in:

- the institution of administrative, civil or criminal proceedings;
- sanctions and the payment of fines, penalties and damages, including potential suspension or revocation of regulatory licenses depending on the severity and scale of any regulatory issues;
- changes in personnel;
- an inability to conduct business due to the loss of our regulatory license or restrictions or conditions being placed on our activities;
- increased review and scrutiny of our services by our clients, regulatory authorities and others; and
- negative media publicity and reputational damage.

Our ability to price debt portfolios, trace consumers and develop tailored repayment plans depends on our ability to use personal data in our consumer data intelligence systems. If any of the information or consumer data that we use were to become public, including as a result of a change in governmental regulation, or if a legislator were to introduce measures that have the effect of facilitating the tracing of consumers, or if the current data processing restrictions were to change such that credit market participants could access credit information before the purchase of portfolios, or if the current data processing restrictions were to change such that we would be prohibited from using consumer data in the manner in which or to the extent it is currently used, we could lose a significant competitive advantage and our business could be negatively affected.

Compliance with this extensive and evolving regulatory framework is expensive and labor intensive. Failure to comply with applicable laws, regulations and rules could result in investigations and enforcement actions, permissions that we need to do business not being authorized or being revoked, fines or the suspension or termination of our ability to conduct collections. In addition, such failure to comply or revocation of a permission, or other actions by us that may damage the reputation of the originator would entitle the originator to terminate its forward flow agreement or entitle it to repurchase portfolios we previously purchased from it. It would also entitle a creditor that had placed accounts with us for collection to terminate the servicing contract and remove the accounts from us. Any of these developments could have a material and adverse effect on our ability to conduct business or on our financial condition, our financial returns or our results of operations.

Changes in the economic environment, in particular in the UK and Germany, may have a material adverse effect on our financial condition, financial returns and results of operations.

We operate mainly in the UK and Germany and, therefore, our business is exposed to any changes in UK or German economic, market or fiscal conditions. With the acquisition of IS Inkasso Service we are also exposed to a lesser extent to changes to the economic market or fiscal conditions in Austria, Switzerland, Croatia and Slovenia. We are also exposed to any changes in the global macroeconomic environment affecting economic conditions in the UK, Germany, Austria, Switzerland, Croatia and Slovenia. If the UK, German, Austrian, Swiss, Croatian, Slovenian or global economy suffers a prolonged, material downturn that affects the regions in which we operate by, among other things, increasing the unemployment rate, causing inflation, leading to the implementation of austerity measures (such as reductions in the relevant government's provisions of public benefits and/or public sector employment), reducing disposable income and/or 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 perform debt collection 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. Even if we are able to develop tailored payment plans for certain of the affected consumers in order to try to reduce the number of defaults, such measures may prove unsuccessful, or if the measures are successful in avoiding some defaults, total collections may be reduced or the timing of receipt of payments may be extended as a result of these measures, any of which would also impair these financial performance metrics.

Additionally, adverse economic conditions could lead to a reduction in the propensity of financial institutions or other credit institutions to lend to corporations and individuals, as was the case during the global financial crisis of 2008 - 2009. This, in turn, would lead to a reduced supply of debt available for collection or fewer opportunities for us to enter into forward flow agreements in our debt purchase business. Reduced lending by financial or other credit institutions may also negatively affect consumers by reducing disposable income levels or otherwise impairing their ability to fulfill their payment obligations. Furthermore, such a reduction in the propensity of financial institutions or other credit institutions to lend to corporations could adversely affect our own ability to obtain credit, and this may adversely impact our business, results of operations or financial condition by, *inter alia*, limiting our ability to finance portfolio purchases on financially favorable terms, or at all.

An improvement in the economic conditions in the countries in which we operate could have both positive and negative impacts on our business. Although improved economic conditions may lead to higher debt repayment due to the improved financial position of our consumers, this may also lead to more competitive pricing for the debt portfolios that we purchase or for the debt collection services that we offer because of improved payment prospects. In addition, rising interest rates due to a change in the economic environment or other factors beyond our control may increase our financing costs, which may result in our inability to finance debt portfolio purchases at profitable levels or at all.

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

A decrease in our ability to purchase debt portfolios or an insufficient supply of debt, appropriately priced debt or debt of a sufficient quality could materially and adversely affect our business.

We derived 65% of our revenue from our debt purchase business (based on total revenue, including lawyer service revenue and other revenue) for the twelve months ended June 30, 2017 and 64% for the year ended December 31, 2016. The availability of debt portfolios at profit-generating prices depends on a number of factors, some of which are outside of our control, including: the level of consumer spending; the availability of credit to consumers, which may 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 on consumer debt portfolios and the proportion of such portfolios that are written off by debt originators, which also in turn may affect the availability of credit to consumers identified above; sales of debt portfolios by debt originators, which could be jeopardized by a change in accounting policies or practices, the consolidation of creditors or increased sophistication in internal collection efforts; potential concerns that the small value received for defaulted debt portfolios as a percentage of their face value may not outweigh the potential reputational risks or required management attention associated with selling defaulted debt portfolios; negative publicity or a loss of trust in the receivables management service industry, whether due to our failure or that of one or more of our competitors to meet applicable legal or regulatory obligations or otherwise; increased government regulation of the circumstances in which debt originators have a right to collect on debt; and the macroeconomic environment in the countries in which we operate, or to the extent that they may impact consumers or the domestic economy in such countries, macroeconomic conditions and other relevant global or European developments. Additionally, an increase in demand for debt portfolios among competitors could result in our not being chosen to purchase a debt portfolio due to more attractive offers from competitors.

Furthermore, the quality of the debt offered in the portfolios available for purchase may be affected by the aforementioned factors as well as originators' willingness to sell debt early in the collection process. If, for example, originators choose to perform more of their own collections or to rely more heavily on DCAs for initial collection efforts, there could be a reduction in the availability of debt that is sold early in the financial difficulty cycle and has had little or no exposure to collection activity. For further discussion, see "*—We depend on the continued willingness and ability of our clients to outsource their debt collection and offer their portfolios for sale*."

There can be no assurances that we will continue to be able to identify a sufficient volume of portfolios at appropriate prices. If the volume of debt sales or the quality of debt sold decreases, we may not be able to buy the type and quantity of receivables at prices consistent with our historic return targets. Generally, prices vary significantly among industries. If we are unable to identify portfolios at appropriate prices or that are of sufficient quality, we may need to purchase portfolios at higher prices, reducing our level of profit, or portfolios of asset types or in industries in which we have little or no experience, or where it is more difficult to collect on overdue receivables. Purchases in these asset types or industries may impair our ability to collect on these claims and may cause us to overpay for these claims. Consequently, we may not be able to meet our historical profit targets in respect of, or make any profit at all, from these debt purchases.

The supply of debt portfolios available for purchase varies over time. This inconsistency in the availability of portfolios for purchase may mean that during certain financial reporting periods we may make few or no debt purchases. This could adversely affect our reported results. In addition, if any originators with which we have committed to purchase debt portfolios should fail to complete such sales, we may be unable to make such committed portfolio purchases. If we do not continually replace the debt portfolios we service with additional portfolios, our business could be materially and adversely affected. For further discussion of these risks, see "*—We depend on the continued willingness and ability of our clients to outsource their debt collection and offer their portfolios for sale*."

If we are unable to identify sufficient levels of attractive portfolios and generate an appropriate return on purchased debt, we may experience difficulties covering the related expenses and may, as a consequence, need to reduce the number of our collection personnel or take other measures to reduce costs. These developments could lead to disruptions in our operations, loss of efficiency, decreased employee morale, fewer experienced employees and excess costs associated with unused space in our facilities and, as a result, a further loss of clients. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Failure to renew existing debt collection contracts on similar terms or at all, win new debt collection contracts, replace terminated forward flow agreements or successfully manage our commitments under forward flow agreements may adversely affect our revenue.

We obtain most of our debt collection contracts initially through a competitive bidding process, and, apart from forward flow agreements that we renew on a bilateral basis, substantially all of the debt collection contracts that we expect to seek in the foreseeable future likely will be subject to a competitive bidding process. We may be required to compete to renew existing debt collection contracts that have in the past been awarded to us without competition from competitors or for which we have been the incumbent provider of debt collection services for a long time. We may also enter into debt collection contracts at price levels or with margins that are lower than we find acceptable, if we want to develop a new relationship with an originator or get a foothold in new industries or if the overall competition for debt portfolios increases. We may not be afforded the opportunity in the future to bid on debt collection contracts that are held by other companies and are scheduled to expire if the existing contract is extended. In addition, we cannot be certain that all our existing clients will choose to continue to use our debt collection services for the same volumes of debt or at all in the future. Our inability to renew contracts with existing clients on similar terms or at all or to find suitable replacements could have a material adverse effect on our business, financial condition and results of operations.

In the period from June 1, 2004 to June 30, 2017, 40% of our UK Division's purchased portfolios were acquired pursuant to forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase, representing £519.4 million in purchase price consideration and a principal value of £6.0 billion. In the period from September 30, 2003 to June 30, 2017, 42% of our DACH Division's purchased portfolios were acquired pursuant to forward flow agreements, representing €199 million in purchase price consideration and a principal value of €755 million, which excludes any accrued interest and any fees and costs at the time of purchase. A forward flow agreement is an arrangement in which we agree to purchase claims based on specific parameters from a third-party supplier on a periodic basis at a set price over a specified time period. Although our fixed term forward flow agreements mainly include provisions for automatic renewal if none of the parties expressly terminates the agreement, a number of our forward flow agreements may expire in 2017, 2018 and 2019. We could lose a potential source of income if we are unable to renew or replace any volume represented by our forward flow agreements upon termination or expiration. Although we expect that many of these will be renewed, our current forward flow agreements provide no medium to long-term assurance on purchasing levels.

We are dependent on clients in a variety of industries and failure to maintain relationships with these clients could have a material adverse effect on our business, prospects, financial condition and results of operations.

A significant portion of the Group's revenue is generated from a limited number of industries. For the twelve months ended June 30, 2017, the Group's cash income from third-party collection services was approximately £105 million and split by industry was financial services (45%), telecommunications (18%), retail (7%), public sector (2%) and other (28%).

A significant decrease in the amount of debt collection outsourced or the volume of debt available for purchase from any of our principal clients in these sectors on acceptable terms would force us to seek alternative sources of revenue. Clients may elect to change receivables management providers if the providers' reputation is harmed by external factors. In addition, our clients may change receivables management providers based on a change of control. See ''*—Limitations imposed on us by debt originators of debt portfolios may adversely impact our operational flexibility*.'' We may be unable to find alternative sources of revenue and, even if replacement clients could be found, the search could take time or the debt could be of lower quality and/or higher cost. See ''*—A decrease in our ability to purchase debt portfolios or an insufficient supply of debt, appropriately priced debt or debt of a sufficient quality could materially and adversely affect our business*.'' Any material failure in the insurance, telecommunications, retail or financial services sectors or any significant change in the willingness or ability of debt originators in these sectors to outsource or sell their debt to debt collection agencies, such as changes in applicable law or regulations relating to these industries that restrict or prohibit such actions, could materially and adversely affect our business, financial condition and results of operations.

We depend on the continued willingness and ability of our clients to outsource their debt collection and offer their portfolios for sale.

We depend on the willingness and ability of our clients to continually engage us to provide receivables management services. Some factors that may influence our clients' willingness and ability to engage us to provide receivables management services include, but are not limited to, the strength of our reputation, regulatory pressures our clients face and the value proposition that we offer. Debt originators may develop technological tools similar to ours, such as sophisticated decision science and consumer profile development that could increase their competitive advantages. If debt originators choose to perform more of their debt collections internally as a result of these data quality improvements, the volume of debt portfolios available for purchase could decrease and the quality of debt portfolios that are sold could suffer. This could materially and adversely affect our business, financial condition and results of operations. See ''—*A decrease in our ability to purchase debt portfolios or an insufficient supply of debt, appropriately priced debt or debt of a sufficient quality could materially and adversely affect our business*.''

Our business would be adversely affected if our clients decide to reduce or discontinue the outsourcing of their debt collection or portfolio sales or if the actual growth of levels of outsourcing and sales is lower than expected. In addition, our future revenue growth may be limited if companies that do not currently outsource their debt collection or sell portfolios continue to manage their portfolios in-house. There can be no assurances that the demand for our services will increase or remain the same, and a decrease or stagnation in demand for our services, or if one or more material debt originators stop or decrease their portfolio sales due to one of the factors listed above or any other factors, could have a material adverse effect on our business, results of operations or financial condition.

We generate a significant amount of our revenue from a small number of large clients and we are dependent on a small number of key suppliers.

Although the relative significance of individual clients changes from year to year, a significant percentage of our revenue is generated by contracts with a small number of clients in any given year. For example, in our DACH Division in the twelve months ended June 30, 2017, 73% of our portfolio purchases by purchase value came from 10 vendors. In the UK, during the twelve months ended June 30, 2017, 74% of our portfolio purchases by purchase value came from five vendors. For the twelve months ended June 30, 2017, our top five third-party collections clients generated 22% of our total DACH Division revenue without lawyer service revenue and other service revenues, and 43% of our DACH Division third party collection service revenue without lawyer service revenue. Our top five portfolio purchases vendors by revenue value represented 3%, 3%, 5%, 0% and 1% of total DACH Division revenues without lawyer service revenue and other service revenue, respectively for the same period. Our top five DACH Division third-party collections clients represented 8%, 5%, 4%, 3% and 3% of total revenues, respectively. Whereas, for the twelve months ended June 30, 2017, the UK Divisions top five third-party collections clients generated 2.2% of our total UK Division revenue and 65% of our UK Division third party collection service revenue. Our top five portfolio purchases vendors by purchase value represented 17%, 8%, 6%, 3% and 2% of total UK revenues, respectively, for the same period.

A creditor's decision to sell debt to us or contract with us for third-party collection services is based on price, reputation, compliance history and other factors. We cannot be certain that we will maintain our relationships with our current and/or future debt originator clients including large clients that make material contributions to our revenue. These clients may cease to offer us desirable terms or debt in acceptable quantities, or they may become insolvent or cease to exist. For example, our DACH Division lost one of the top 10 originators in its third-party collection services business in 2014, mainly due to the originator's shift towards another collection model. Although no originator from our top 10 in 2015, 2016 and 2017 has terminated a contract, we may lose more clients in the future. Furthermore, many of our contracts with our clients do not have a fixed term or renew automatically on an annual basis and, therefore, may be terminated on relatively short notice in certain circumstances. Any changes to the key relationships that we rely on could have a material adverse effect on our business, results of operations or financial condition.

A significant decrease in the volume of debt portfolio purchases available from any of the debt originators with which we are currently working, on terms acceptable to us, would make it necessary to further enlarge our network of sellers or the sources of debt to purchase. Furthermore, because reputation is paramount in our industry, the loss of a key vendor relationship could jeopardize our existing relationship with other vendors or our ability to establish new relationships with other vendors. We may be unable to find alternative sources from which to purchase debt, and even if we could successfully replace such purchases, the search could take time, and the receivables could be of lower quality or higher cost, any of which could materially adversely affect our business. See ''—*A decrease in our ability to purchase debt portfolios or an insufficient supply of debt, appropriately priced debt or debt of a sufficient quality could materially and adversely affect our business.*''

In addition, we face supply risks, including certain single-source supply risks. In particular, our UK Division relies on a single supplier for a substantial amount of its consumer credit data (for further discussion of this risk, see ''—*We are highly dependent on our intelligence systems and proprietary consumer profiles*''), and our DACH Division relies heavily upon one supplier for certain software solutions. If any of these suppliers were to significantly limit access to their services, significantly raise their prices, experience labor disputes and work stoppages, become insolvent or cease to exist, this could impede our ability to collect on claims or increase our collections costs and therefore have a material adverse effect on our business, results of operations or financial condition.

We are active in competitive markets and may be unable to continue to successfully compete with businesses that may offer more attractive prices or have greater financial resources, less expensive funding or lower return requirements than we have.

We face competition from new and existing purchasers of debt portfolios and debt collection providers in the markets in which we operate.

Competition in the UK market

We face competition in the UK from new and existing purchasers of debt portfolios, and large and established foreign debt purchasers are active in the UK debt purchase market. In addition, the UK debt purchase market has recently experienced significant capital inflows. Furthermore, average portfolio purchase prices in the UK debt purchase market are expected to increase over the coming years due to: (i) improvements in collection efficiencies; (ii) sustained competition for the purchase of portfolios; and (iii) greater proportions of the portfolios sold containing fresher debt, with a higher proportion of paying accounts. We may also face competition in this market from financial investors (*i.e.,* those more suited to the purchase of a portfolio consisting of largely paying accounts, such as institutional investors). Moreover, such competition, also driven by greater financial resources, less expensive funding or lower return requirements, may lead to an increase in the purchase price demanded by debt originators for their debt portfolios, which we may not be willing or able to offer.

Even though we have a small DCA business in the UK operated by our subsidiary, Interlaken, our UK business focuses on the purchase of debt portfolios. Some of our competitors have more significant UK DCA businesses in addition to operations involving the purchase of debt portfolios. These competitors may be able to offer originators a more attractive suite of services, or they may be able to use the consumer data provided at the DCA stage to help them price debt portfolios more accurately, or collect debt receivables more effectively or efficiently, than we can.

There can be no assurance that we will be able to offer competitive bids for debt portfolios, or that we will be able to maintain the advantages in tracing technology, consumer profile development, or low servicing costs that we believe that we currently possess in the UK market. If we are unable to develop and expand our business or adapt to changing market needs as well as our current or future competitors are able to do, or if our competitors are able to make advances in their pricing or collections methods that we are not able to make, we may be unable to purchase debt portfolios at prices we deem appropriate in order to operate profitably in the UK. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Competition in the German market

The German debt collection market is highly fragmented and consists of numerous companies with varying profiles. These companies compete with us on, among other things, the basis of price. New entrants to the German market and existing competitors may offer more attractive pricing levels, both for debt collection contracts and for debt portfolio purchases, and accept lower returns in order to gain or increase market share. There can be no assurances that this price competition will not result in us paying higher prices for portfolios that we purchase or charging less for our debt collection services, both of which could decrease our margins and have a material adverse effect on our business, results of operations or financial condition.

We face bidding competition in our acquisition of debt portfolios in the German market. We believe that successful bids are awarded based on price and a range of other factors, including service, compliance, reputation and relationships with the sellers of debt portfolios. Some of our current competitors, and potential new competitors, in the German market may have more effective pricing and collection models, greater adaptability to changing market needs and more established relationships in our industry or the business sectors in which we operate. Moreover, our competitors in the German market may elect to pay prices for debt portfolios that we determine are not economically sustainable and, in that event, our volume of debt portfolio purchases may decrease. There can be no assurance either that our existing or potential debt portfolio sources within the German market will continue to sell their portfolios at recent levels or at all, or that we will continue to make competitive bids for debt portfolios.

Some of our current competitors, and potential new competitors, in the German market may have substantially greater financial resources, less expensive funding or lower return requirements than we currently have. The receivables management industry in Germany might further consolidate and our competitors might merge, creating size and scale benefits that we might not be able to match. In addition, in the future we may not have the financial resources to make competitive bids for portfolio purchases and debt collection contracts, especially when competing with competitors that have greater financial resources than we have. Competition is not limited to the bidding process, as some of our clients will simultaneously retain multiple receivables management companies to perform collections on their behalf, thereby intensifying the competition for ongoing and new business. There can be no assurances that we will be able to develop and expand our business in Germany or adapt to changing market needs as well as our current or future competitors. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Competition in other markets

We also operate in Austria, Switzerland, Croatia and Slovenia. In the future, we may expand into additional markets. We face significant competition in each of our current markets and expect to face significant competition in any other market that we may enter into in the future. There can be no assurances that we will be able to develop and expand our business in these markets or adapt to changing market needs as well as our current or future competitors.

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

Our ability to collect debt 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 clients 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 receivables management services industry, allegations of unethical or improper behavior by us or third parties we use in the collection process, our inability to collect debt on an accurate and timely basis, our failure to respect and treat the consumers fairly, failures in our collection and data protection processes, the actions of third parties engaged by us in the debt collection process, IT platform failure or other operational issues, litigation, regulatory restrictions, investigations, fines or enforcement actions and matters affecting our financial reporting.

The collection of debt involves complex interpretations and calculations 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 correct collection strategies and could lead to incorrect payment calculations in the future. Furthermore, under German law, if we agree on a payment plan with a consumer based on an incorrect calculation of the debt, such payment plan will become binding and may not be renegotiated. Therefore, processing errors may have an adverse effect on our business, results of operations or financial condition.

Such processing or other operational errors could lead to an increase in new consumer complaints which could harm our reputation with debt originators, consumers and/or regulatory authorities. Any of the aforementioned events could thereby result in financial liability for us and could jeopardize our relationships with the debt originators with which we have already established a business relationship or our ability to establish new relationships with other debt originators, 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 receivables management industry, each of which could have a material adverse effect on our business, results of operations or financial condition. See ''—*Negative attention and news regarding the debt purchase and collection industry and individual debt purchasers and collectors, including us, may have a negative impact on a consumer's willingness to pay a debt owed to us and may diminish our attractiveness as a counterparty for debt originators and other third parties*,'' ''—*We are subject to UK, German and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business*'' and ''—*We are subject to audits conducted by sellers of our debt portfolios 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 sellers as a part of this audit process, or certain sellers may remove us from their panels of preferred purchasers, which could limit our ability to purchase debt portfolios from them in the future, which could materially and adversely affect our business*.''

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

There are various factors that may cause consumers to be more reluctant to pay their debt in full or at all, or more willing to pursue legal actions against us (including, in the UK, through complaints to the UK Financial Ombudsman Service (the ''**FOS**''), and, in Germany, through consumer protection associations (*Verbraucherschutzvereine*) or other similar third party agencies), even if such actions are not warranted. These factors include, *inter alia*: (i) publications in online, print and broadcast media, from time to time, of stories about the debt collection or debt purchase industry that may cite specific examples of real or perceived abusive collection practices as well as regulatory investigations and enforcement actions; (ii) online articles, blogs and tweets that may lead to the rapid dissemination of a story and increase exposure to negative publicity surrounding the debt purchase and receivables management industry in general or in relation to us or any of our clients in particular; and (iii) websites where consumers list their concerns about the activities of debt collectors and seek online guidance from others on how to react to collection efforts. These websites are increasingly providing consumers with letter templates, guidance and other strategies to protest collection efforts and to try to avoid their obligations. To the extent that these forms and strategies are based upon erroneous legal information, the cost of collections may increase. Finally, in Germany, consumer blogs and consumer protection associations (*Verbraucherschutzvereine*) are becoming more common and add to the negative attention surrounding the receivables management industry.

Negative publicity could also result from us being named in published industry complaint data sites, receiving negative attention due to internal disputes, failing to prevent potential unlawful behavior of our employees and engaging in disputes with former employees or being subject to negative publicity relating to any of our clients or any former employers of our key executives. Negative publicity relating to violations by any of the third parties we engage, of legal or other regulatory requirements, could also result in negative publicity or reputational damage to us.

Any such negative publicity could jeopardize our existing relationships with debt originators or our ability to establish new relationships with other debt originators, diminish our attractiveness as counterparties generally or lead to requests by the debt originator to reassign debt portfolios. Any of the foregoing could impact our ability to purchase debt portfolios or our ability to collect debt owed to us or to our clients, and may materially and adversely affect our business, results of operations or financial condition.

We are subject to risks associated with our contracts and business model for debt collection services, including our ability to correctly assess pricing terms and the potential early termination or a reduction in the volume of claims we service.

The profitability of our debt collection services will generally depend upon our ability to successfully calculate prices by taking into consideration all economic factors and our ability to manage day-to-day operations under these contracts. Under most of our debt collection contracts we do not get paid unless a consumer begins paying on a claim and we may be unable to accurately predict the costs or identify the risks associated with these contracts or the complexity of the services, which may result in lower than expected margins, losses under these contracts or even the loss of clients. Some of our material contracts for debt collection services subject us to early termination clauses in a range of circumstances and also include benchmark clauses or, in a small number of contracts, penalties and /or service credits for the failure of service level agreements. If we are unable to satisfy the terms of our contracts, then we could potentially have contracts terminated and lose clients and revenue.

The majority of our material debt collection contracts have an initial stated term, typically one to three years, and, in some cases, termination clauses permitting the debt originator to cancel the contract at its discretion following the expiration of an agreed notice period. There can be no assurances that our clients will not exercise their rights to terminate their contracts prior to expiration or that we will be successful in negotiating new contracts with clients as such contracts expire. In addition, we are also exposed to unforeseen changes in the scope of existing contracts, including prices or volumes, that may occur as a result of any changes in the general business or political landscape of our clients. Generally, our debt collection contracts do not have volume commitments, and a client can eliminate or reduce the volume of claims it outsources to us for debt collection without formally terminating the contract. We may have disputes or disagreements with our clients as to the level of services we have agreed to provide or contract terms. The potential effects of these risks may increase as we enter into larger contracts. If we are unable to fulfill our obligations under our contracts for any reason, we risk the loss of revenue and fees under that contract, the potential loss of a client and significant harm to our reputation. Any of our contracts could become more costly than initially anticipated, and as a result, we may experience significant increases in our operating costs and/or potential litigation. Furthermore, we may experience delays in integrating with our existing operations any additional collection platforms that we acquire or the carve-outs of our clients' in-house collections departments. Accordingly, if we are unable to collect or maximize payments from consumers through our various initiatives, our business and financial condition may be adversely affected. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

We may not be able to collect the expected amounts on our existing debt portfolios or the value of our debt portfolios may deteriorate, and this may lead to reduced profits, write-downs or lost market opportunities.

As the length of time involved in collecting on our existing debt portfolios may be extensive and since the factors affecting debt collection rates may be volatile and outside our control, we may be unable to identify economic trends or make changes in our purchasing strategies in a timely manner.

If our diligence for the purchased debt is not sufficiently comprehensive or if the assumptions used by us in our models are incorrect, including, but not limited to, claims not being time barred, the age and balances of the purchased claims being correctly stated by the sellers, consumers being alive and the claim not resulting from fraud, or if some of the accounts in a portfolio behave differently from the way we expect, there could result a loss of value in a portfolio after purchase, subsequent negative revaluations in our statement of financial position and a continuing deterioration in value over time as actual collections can deviate significantly from the collection estimates produced by our pricing model as accounts age. We do not have an insurance policy that covers breaches of guarantees, representations and warranties with respect to the quality of the purchased debt in our debt purchase agreements. Therefore, we may not be able to pass on the losses in the event that we cannot take recourse against the seller.

We purchase debt mainly at a discount to face value, except for small amounts of debt purchased through our DACH Division's historical PayProtect service, for which we pay the full face value of the debt. Debt that we purchase typically consists of loans that consumers have failed to repay and, in certain cases that the debt originator has deemed to be uncollectable. It is crucial for our business that we are able to identify portfolios that are of sufficient quality for us to determine what we are likely to collect on the claims. Before making the decision to generally sell their overdue or defaulted debt and other overdue receivables, clients usually make various attempts to recover on such receivables, often using a combination of in-house recovery efforts and third-party collection agencies. These overdue claims are difficult to collect and we may not collect a sufficient amount to cover our investment associated with purchasing the portfolios of overdue receivables and the costs of running our business. There can be no assurances that any of the claims contained in our purchased portfolios will eventually be collected. Furthermore, most of the claims that we own are unsecured and an increase in bankruptcy filings involving consumers could impact our ability to collect on those claims. If the cash flows from our existing portfolios (and the debt portfolios we purchase in the future) are less than anticipated, we may be unable to purchase all of the new debt portfolios that we would like to purchase, may need to pay a higher interest rate to finance the purchase of new debt portfolios or may need to accept lower returns. This could also result in further write-downs of our debt portfolios. As a result of further write-downs or any of the aforementioned factors, this could have a material adverse effect on our business, results of operations or financial condition.

Limitations imposed on us by debt originators of debt portfolios may adversely impact our operational flexibility.

We derived 65% of our revenue from our debt purchase business (based on total revenue, including lawyer service revenue and other revenue) for the twelve months ended June 30, 2017 and 64% for the year ended December 31, 2016. Contracts entered into with our clients for the purchase of debt portfolios typically impose various restrictions on our realization of value from the debt portfolios, including restrictions on our ability to resell portfolios, even if the legal title to the debt has been transferred to us. Debt originators from both our third-party collection services and purchased debt businesses may also restrict our flexibility in pursuing certain enforcement and collection activities. In addition, our clients may have the right to compel us to undertake or refrain from taking certain actions, including agreeing the fees that we can pass through to the respective consumers. Furthermore, debt originators may have rights to repurchase portfolios and require reassignment to protect against factors such as reputational risk. In instances where accounts are fraud-sensitive or where an accountholder has raised a complaint against the debt originator, among other things, debt originators may also have rights to repurchase or require reassignment of the respective debt portfolios. Debt originators may have the right to terminate such agreements upon a direct or indirect change of control of our company. Any of the foregoing factors may adversely impact the profitability of debt portfolios that we purchase and our operational flexibility and, therefore, have a material adverse effect on our financial condition and results of operations.

We are subject to audits conducted by sellers of our debt portfolios 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 sellers as a part of this audit process, or certain sellers may remove us from their panels of preferred purchasers, which could limit our ability to purchase debt portfolios from them in the future, which could materially and adversely affect our business.

Our companies are subject to audits that are conducted by sellers of our debt portfolios and clients who place debt with us for contingent collections. In the UK, regulations and contractual provisions require us to provide our clients with the opportunity to conduct such an audit whereas in Germany, client audits are available pursuant to provisions in some of our contractual agreements. In addition, relevant authorities may perform audits pursuant to the German Legal Services Act (*Rechtsdienstleistungsgesetz*), and in connection with such audits, we need to provide the relevant authorities with information upon their request. Audits may occur with little or no notice and the assessment criteria used by each seller and creditor varies based on their own requirements, policies and standards. Although much of the assessment criteria is based on regulatory requirements in the UK and in Germany, we may be asked to comply with additional terms and conditions that are unique to particular debt originators in either the UK or Germany. From time to time, clients may determine that we are not in compliance with certain of their criteria and in such cases, we may be required to dedicate resources and to incur expenses to address such concerns through the implementation of new policies and procedures or by other means. In addition, to the extent that we are unable to satisfy the requirements of a particular client or where our noncompliance is deemed sufficiently significant or systemic, such client may remove us from its panel of preferred purchasers or suppliers, which could limit our ability to purchase debt portfolios from, or service the collection of debt for, such client in the future, which could materially and adversely affect our business. Furthermore, in certain circumstances in the UK, audit reports may need to be provided to the regulator, and there is also a risk that any non-compliance identified in those reports may be viewed by the regulator as a breach of our regulatory obligations owed to it.

The statistical models and decision science tools that we use in our business may prove to be inaccurate, we may not achieve anticipated levels of return and we may be unable to appropriately identify and address underperforming portfolios.

We use internally developed models and other decision science tools extensively in our operations. At the time of purchase, however, we are likely to have imperfect information about the precise age of the debt, the ability of the consumer to pay, the time at which the consumer will pay and the cost required to service and collect on such debt. Therefore, our ERC figures could be inaccurate. Moreover, our performance metrics, such as ERC and gross money multiple, are forward looking in nature and have inherent limitations as they are based on historical data and assumptions based on such data, which may prove to be inaccurate. In addition, our historical information about portfolios may not be indicative of the characteristics of subsequent portfolios purchased from the same debt originator or within the same industry due to changes in business practices or economic developments and our internal databases may not be as extensive as needed for a comprehensive decision science. There is a significant amount of management judgment and estimation involved in purchasing and valuing portfolios and there can be no assurances that management's judgments and estimations will prove to be accurate. Furthermore, although we have review structures in place designed to ensure that portfolios performing significantly outside of forecast will be reviewed by management, there can be no assurances that we will be able to appropriately identify and address underperforming portfolios.

In addition, our decision science team may not be able to achieve the desired results and may not be able to create the decision science functions which we need in order to operate profitably.

Furthermore, if we purchase types of debt portfolios with which we have limited experience or from clients with which we have no prior dealings, our ability to properly price and collect on such debt portfolios may be adversely affected. Lack of reliable information, or the use of inaccurate assumptions, can lead to mispricing of purchased portfolios, which may have an adverse effect on the financial returns from such portfolios or can lead us to underbid on and lose bids for debt portfolio purchases. Our statistical models and analysis tools make use of information provided by third parties, such as credit information suppliers and other mainstream or public sources, or generated by software products. We have no control over the accuracy or sufficiency of information received from such third parties. If such information is inaccurate or insufficient, we could incorrectly price portfolios that we purchase, incorrectly value our existing debt portfolios, set debt originator prices or performance goals inaccurately, and/or experience lesser liquidation rates or greater operating expenses.

There can be no assurances that any of the current or future debt contained in our purchased portfolios will eventually be collected. If we are not able to achieve results consistent with our forecasted levels of collection and underlying cost assumptions, valuation impairments may be recognized, our portfolios may be written down and revenue and returns on purchases of portfolios may be reduced. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

Our need to adapt to consumers' changing financial circumstances may result in increased servicing costs, reduced cash flow or imprecise modeling.

We proactively work with consumers who experience a reduced ability to pay their debt to try to reach an appropriate payment plan through means such as reduced average monthly payments. This adaptability on our part could lead to increased servicing costs as our employees renew contact with consumers and revise pre-existing payment arrangements. Furthermore, a reduction in monthly payments would reduce our cash generation and returns on capital. A change from our original estimates of servicing costs or consumers' monthly payments may mean we may not achieve our expected returns. Additionally, our modeling for future pricing decisions may be rendered less reliable if we are unable to accurately predict the number of consumers who will, or which consumers will, need to reduce their debt payments or the amounts of such reductions. As a result, our financial condition, financial returns and results of operations may be materially and adversely affected.

We may experience volatility in our reported financial results due to the revaluation of our purchased debt portfolios and the timing of portfolio purchases during the financial year.

Our purchased debt portfolios are initially recognized at a carrying value equal to the portfolio's acquisition cost and are subsequently measured at amortized cost using the EIR method. Following acquisition, the value of these assets may be adjusted as the cash flow projections associated with the portfolios are reassessed based upon actual collections results. For more information, see *''Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations—Results of Operations—Description of the Group's Principal IFRS Statement of Financial Position Items*,'' ''*Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations—Results of Operations—Description of our UK Division's Principal IFRS Statement of Financial Position Items*'' and ''*Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations—Description of our DACH Division's Principal Balance Sheet Line Items.*'' Accordingly, the value of our purchased portfolios as recorded in our Consolidated Financial Statements may fluctuate as a result of these reassessments.

There is sometimes a gap between the point in time when we purchase a portfolio and the point in time when we begin earning returns on the purchased portfolio. This is because we do not always have control over when a deal to purchase a portfolio will close, and we need to locate consumers, build a consolidated profile of each such consumer's circumstances and formulate an appropriate repayment solution before we can start to collect on a purchased portfolio. As a result, we may experience fluctuating cash flows and delays in generating income from purchased portfolios. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

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

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

Areas requiring more complex judgments may shift over time, based on changes in accounting policies, accounting standards, such as IFRS 15 and IFRS 9, or on changes in our business profile.

Complex judgments are required in relation to revenue recognition, impairment of our purchased loan portfolios, collection forecast and impairment tests of our goodwill, among others. For example, the estimates used to calculate our returns on our purchased portfolios are primarily based on historical cash collection experience and payer dynamics. If future cash collections are materially different in amount or timing, 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 income increases or impairment reversals. In addition, higher collection amounts or cash collections that occur sooner than projected could 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 adverse impact and may result in an impairment of the purchased loan portfolio. Impairments, in turn, cause reduced and fluctuating earnings. In the future, should actual results differ from management's estimates and assumptions (particularly with respect to revenue recognition and collection forecast) this could have a material adverse effect on our business, prospects, results of operations and financial condition. See ''*Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations*,'' ''*Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations*'' and ''*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations*.''

IFRS 9 (*Financial Instruments*) is effective from January 1, 2018. The current application of the Effective Interest Rate with regards to purchased non-performing assets is thought to be largely in line with IFRS 9; however, additional disclosure requirements, over and above those from IFRS 7, will be required around compliance with applicable regulation and the management of risk. During the remainder of 2017, management will continue to assess the impact of the three main areas of IFRS 9, these being classification and measurement, impairment, and hedge accounting. IFRS 15 (*Revenue from Contracts* *with Customers*) is effective from January 1, 2018. IFRS 15 established a five step approach to accounting for revenue from contracts with customers. Management will continue to assess the potential impact of adopting IFRS 15 during the remainder of 2017. Although we do not expect the application of these standards to have a material effect on our business, we have yet to complete our review of these standards and, therefore such application may have a material adverse effect on our business, results of operations or financial condition.

It can take several years to realize cash returns on our investments in purchased debt portfolios, during which time we are exposed to a number of risks in our business.

We generally measure our investments based on a projected return, typically up to 120 months, based on the historical data and collection forecast for our UK Division and DACH Division. See ''*Management's Discussion and Analysis of our UK Division's Financial Condition and Results of Operations—Significant Factors Affecting Results of the Debt Purchase Operations—The UK Division's ERC on owned portfolios as of June 30, 2017 by year of purchase''* and *''Management's Discussion and Analysis of our DACH Division's Financial Condition and Results of Operations—Key Operating Metrics—Estimated Remaining Collections (''ERC'')*.'' It takes us an average of 22 months, for our UK Division, and 24 months, for our DACH Division, to collect the gross cash cost of each of their investments in debt portfolios (after taking into consideration, in the case of our DACH Division, its direct and indirect operating costs, financing costs, taxes and other factors (*e.g*., real estate costs, legal and consulting costs and IT expenses)), and, in some cases, it may take significantly longer than average to realize cash returns equal to this initial investment. During this period, significant changes may occur in the economy, the regulatory environment, our business or our markets, which could lead to a reduction in our expected returns or forecasted collection plan, a reduction of which could cause us to record an impairment of our purchased debt portfolio, or reduce the value of the debt portfolios that we have purchased. Given the multi-year payback period on substantially all our purchases, each portfolio purchase exposes us to the risk of such changes for a significant period of time, which could have a material adverse effect on our business, results of operations or financial condition.

Our forward flow agreements may contractually require us to purchase portfolios at unfavorable or uneconomic prices.

In the period from June 1, 2004 to June 30, 2017, 40% of our UK Division's purchased portfolios were acquired pursuant to forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase, representing £519.4 million in purchase price consideration. In the period from September 30, 2003 to June 30, 2017, 42% of our DACH Division's purchased portfolios were acquired under forward flow agreements, representing €199 million in purchased debt. Commitments under such forward flow contracts are typically for approximately one to three years, although in the UK, we have entered into five year forward flow agreements with two creditors. However, depending upon the length of the contractual arrangements, forward flow agreements generally contain termination clauses that allow the arrangement to be terminated early and on relatively short notice in certain circumstances, such as where there is a change of control or at will for certain of our clients. We may be required to purchase debt under a forward flow agreement for an amount greater than we would have otherwise agreed to pay at the time of purchase due to pressure from larger clients or major debt portfolio sellers, which could result in reduced returns. In addition, we could be faced with a choice between decreasing our purchasing volume, agreeing to forward flow agreements at a higher average price or agreeing to fewer contractual protections concerning the portfolios we purchase, any of which could have a material adverse effect on our results of operations. We generally allow for some margin for future fluctuations in value of the debt we purchase through forward flow agreements, but future fluctuations in value may exceed that margin due to circumstances beyond our control, such as economic conditions or other market conditions. If the quality of debt purchased varies from our pricing assumptions, we may price the contract improperly, which could have a material adverse effect on our business, results of operations or financial condition.

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

Historically, we have funded purchases of portfolios through cash generated by our operations, borrowings and loans procured by our relevant majority shareholders. Our ability to obtain funding in the future from these sources will depend on our performance and prospects, as well as other factors beyond our control. Such factors may include weak economic and capital market conditions during or prior to periods in which attractive debt portfolios are available for purchase, the ability and willingness of banks and other clients to lend to our industry generally or to us, in particular, and changes in fiscal, monetary and other government policies, among others. An inability to procure sufficient funding at favorable terms to purchase portfolios as they become available could have a material adverse effect on our business, results of operations or financial condition.

We could be adversely affected if third parties providing services on which we rely, including lawyers or data providers, perform poorly, cease to provide services or fail to comply with applicable regulatory requirements.

Our business is dependent on a number of key relationships with third parties as part of the supply chain to provide our services. For example, when our internal debt collection efforts are unsuccessful, we may engage law firms, with which we have framework service agreements, to collect or enforce the receivables in our name or in the name of our clients. Any failure by third parties involved in our supply chain to adequately perform services for us on an efficient basis for any reason (including insolvency) or to meet agreed service levels could materially reduce our cash flows, income and profitability, and adversely affect our reputation and results of operations.

Furthermore, these third parties may not be bound by our industry standards and practices. These third parties could commit fraud with respect to the consumer accounts that we place with them or fail to comply with applicable laws and regulations, such as data protection requirements, or to provide us with accurate data on the accounts they are servicing. To the extent that 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.

In addition, we depend on banking systems to execute payment transactions in connection with our business. A systematic shutdown or any other disruption of the banking industry or one of the banks we work with would impede our ability to process funds on behalf of clients and to collect on claims. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

We rely partly on data provided by multiple credit information suppliers and other sources in order to operate our business, and our UK operations, in particular, rely on the data provided substantially by one supplier. Our business, along with the businesses of our competitors, 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 if they were to raise the price of their services. In addition, any disruption of our relationship with our data suppliers could affect the intelligence systems upon which we rely. See ''—*We are highly dependent on our intelligence systems and proprietary consumer profiles*'' and ''—*We generate a significant amount of our revenue from a small number of large clients and we are dependent on a small number of key suppliers*'' for further discussion. Furthermore, if data suppliers provide us with inaccurate data, we may have no recourse against them if we are exposed to claims by our clients, consumers, or alleged debtors arising from the use of such inaccurate data, which may also lead to reputational damage. Conversely, through our subsidiaries we provide data to third parties as well and there is a risk that data provided by us may prove to be inaccurate or false and third parties could take recourse against us for providing false data.

In certain situations, we outsource some of our UK Division's accounts to third-party DCAs for collection. For example, we may use third-party DCAs late in the collections process when our in-house methods of contact have not succeeded or when an atypical consumer may be better served by a specialist DCA (*e.g.*, when the debt collection process is complicated by probate). Any failure by these third parties to adequately perform collection services for us or to remit such collections to us could materially reduce our cash flow, income and profits. We rely on these third parties to effectively manage their operations and to meet our servicing needs efficiently, but these third parties may not have the resources, management training and management depth that we have. This may negatively impact their ability to comply with applicable laws or other regulatory requirements. To the extent these third parties violate laws or other regulatory requirements in their collection efforts, it could negatively impact our business and reputation, and we may not be aware of the risk or occurrence of any such violation.

Any of these developments could hinder or prevent us from using our decision science as part of our business and could have a material adverse effect on our business, results of operations or financial condition.

Our recent acquisitions or our future acquisitions or business combinations may prove unsuccessful or they may strain or divert our resources, and we may not be able to manage our growth effectively.

Our strategy involves selectively acquiring businesses to increase our market share. Since January 1, 2013 we have acquired Interlaken, DMA, IS Inkasso Service, Tesch Group and Apontas.

The continuation of this strategy depends on, *inter alia*, identifying suitable acquisition or investment opportunities and successfully completing such transactions. There can be no assurances that we will be able to identify or complete purchases or acquisitions in the future. Furthermore, it may take longer than expected to realize projected benefits from such future purchases or acquisitions because we often cannot control the timing of the closing of such transactions. Moreover, successful completion of an acquisition may depend on consents from third parties, including regulatory authorities and private parties, which are beyond our control.

If we carve-out in-house collections operations from our clients or wholly acquire other receivables management companies, we may not be able to successfully integrate these businesses with our own and we may be unable to maintain our standards, controls and policies, which may result in compliance issues, goodwill write offs and damage to our reputation. Our successful integration of acquired businesses will depend on our ability to effect any required changes in operations or personnel, and may require other capital expenditure or the funding of unforeseen liabilities. In addition, the integration and operation of any future acquisitions may expose us to certain risks, including difficulties in integrating the acquired businesses in a cost effective manner and establishing effective management information and financial control systems, the diversion of management's attention from our day-to-day business, the failure to maintain the quality of services that we have historically provided, transition difficulties with clients and unforeseen legal, regulatory, contractual, labor or other issues arising out of the acquisitions. Any failure to assess suitable acquisitions or to properly integrate them once acquired could have a material adverse effect on our business, financial condition and results of operations.

There can be no assurances that any of the anticipated benefits from our acquisitions will be realized or that we will be able to realize such benefits from any future acquisition. In addition, our acquisitions and future acquisitions may place additional constraints on our resources, including diverting the attention of our management from other business concerns or opportunities. Further, acquisitions expose us to the risks associated with write-downs and impairments to goodwill.

Integration of the businesses and carve-out assets we acquire may require significant financial and operating resources and exposes us to a variety of risks. For example, our ability to maintain our standards, controls, policies and the quality of services that we have historically provided could be compromised while we are in the process of integrating a recently acquired business, and this could result in compliance issues, goodwill write-downs and damage to our reputation. Additionally, the successful integration of any businesses we acquire depends on our ability to make required changes in operations or personnel quickly and effectively, and achieving this may require further capital expenditure or the funding of unforeseen liabilities. Moreover, difficulties with establishing effective management information and financial control systems, the diversion of management's attention from our day-to-day business, difficulties with transitioning clients and unforeseen legal, regulatory, contractual, labor or other issues arising out of the acquisitions could also arise in connection with our integration of acquired businesses. In July and October 2014, our DACH Division acquired a 51% interest in ITT and fully acquired DMA, respectively. We acquired DMA as part of a strategy to improve our decision science and monetize data mining services to external clients. In November 2016, we acquired the remaining interest in ITT.

In May 2016, we acquired IS Inkasso Service, in September 2016 we acquired Tesch Group and in October 2016 we acquired Apontas. We have made efforts to integrate these new entities into our corporate division; however, there can be no assurance that these efforts will be successful or that we will realize the expected benefit, or any benefit at all, from these acquisitions.

We currently operate primarily in the UK, Germany and Austria with a meaningful presence in Switzerland, Croatia and Slovenia. If we expand into new jurisdictions through future acquisitions, our business will be subject to applicable laws, regulations and licensing requirements in those new jurisdictions, which may be different or more stringent than those currently applicable to our business. Such expansion would also subject us to additional risks related to inflation, recession, currency and interest rate fluctuations, an inability to enforce remedies, difficulty in adequately establishing, staffing and managing operations, risk of non-compliance and business integrity issues, variations in regulation and governmental policies, including additional fees, costs and licenses, and risk of political and social instability within those jurisdictions.

There can be no assurances that we will be able to manage our growth effectively and that our infrastructure, facilities and personnel will be adequate to support our future operations or to effectively adapt to future growth. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

We are highly dependent on our intelligence systems and proprietary consumer profiles.

LIMA, our UK Division's automated tracing and consumer intelligence system, provides information that is critical to our UK business. In order to operate this system, develop our proprietary consumer profiles and run our business generally, we rely to a large extent on data provided to us by a single private credit reference agency. If this private supplier were to terminate its agreement with us or stop providing us with data for any reason, or if such private supplier were to considerably raise the price of its services, our business would be materially and adversely affected. Also, if any of the information or data that we use became public, for example due to a change in government regulations, or if the UK were to introduce measures that have the effect of facilitating the tracing of consumers, we would lose a significant competitive advantage and our business could be negatively impacted. Furthermore, private or public sources of our data could make claims that the way in which we collect or use information and data violates terms and conditions applicable to such use, and whether or not such claims have any 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 systems or methods to develop data, or if we become unable to continue to acquire or use such information and data in the manner in which it is currently acquired and used, we would lose a significant competitive advantage and our business could be materially and adversely affected. If we were prohibited from accessing or aggregating the data in these systems or profiles for any reason, our operations and financial condition would be negatively and materially impacted. See ''*—We are subject to UK, German and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business—Laws and Regulations affecting our Processing of Personal Data.*''

In addition, for certain of the systems, technologies and programs that we use, we rely on specialist IT providers. Some of these providers are small companies and their long-term financial viability cannot be assured. We cannot assure you that we will be able to find and retain alternative providers or acquire the rights to intellectual property important to our operations if our current or future providers become financially unstable. To the extent any of these systems, technologies or programs do not function properly and we cannot find and retain a suitable IT provider to help remedy the fault, we may experience material adverse effects on our business that require substantial additional investments to remedy, or which we may not be able to remedy at all.

Further, as some of the systems, technologies and programs that we use have been developed internally, we cannot be assured that our level of development documentation is comparable to that of third party software packages and we may have certain employees that possess important, undocumented knowledge of our systems. If any such employee were no longer to work for us, our ability to maintain, repair or modify our collections platform may be limited.

We may not be able to successfully maintain and develop our IT infrastructure platform or decision science systems, anticipate, manage or adopt technological advances within our industry or prevent a breach or disruption of the security of our IT infrastructure platform and decision science systems.

We rely on our IT infrastructure platform and decision science systems and our ability to integrate these technologies into our business is essential to our competitive position and our success. This dependency subjects us to inherent costs and risks associated with maintaining, upgrading, replacing and changing these systems, including impairment of our information technology, substantial capital expenditures and demands on management time. For example, the carve-out of in-house collection operations or the acquisition of another company may force us to upgrade the IT platform and decision science systems of the newly acquired operations or entity to meet our standards, causing increased capital expenditures and demands on management time.

IT and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We may not be successful in anticipating, managing or adopting technological changes on a timely basis. We may not be successful in implementing improvements of our IT or decision science systems and improving operation efficiency through further IT development, which could result in additional costs. The cost of these improvements could be higher than anticipated or result in management not being able to devote sufficient attention to other areas of our business. We depend on having the capital resources necessary to invest in new technologies to purchase and service claims, and there can be no assurances that adequate capital resources will be available to us at the appropriate time. Furthermore, 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 acquired, aggregated and used, due to lack of resources, regulatory restrictions or any other reason, we may lose a significant competitive advantage. For example, in Germany we hold a data trading license that provides us with the future potential to enter into the data trading field and leverage our extensive databases. However, this and other potential initiatives are not yet fully developed and may not achieve their desired results, which could cause us to lose valuable market opportunities and fall behind our competition in advanced decision science.

Any security breach in our IT infrastructure platform and decision science systems, or any temporary or permanent failure in these systems, could disrupt our operations. We may be required to enhance capabilities and resilience and we may be subject to future attempts to gain unauthorized access to confidential or sensitive information. Our websites could potentially suffer cyber-attacks, which could disrupt our IT infrastructure platform and decision science systems and impair our ability to provide online services. In addition, in the event of a catastrophic occurrence, our ability to protect our infrastructure and maintain ongoing operations could be significantly impaired. Our business continuity and disaster recovery plans cover the majority of our systems and services, but may not be successful in mitigating the effects of a catastrophic occurrence, such as fire, flood, tornado, power loss, sabotage or telecommunications failure for some or all of our IT infrastructure platform and decision science systems. Any of these developments could hinder or prevent us from using our IT infrastructure platform or decision science systems as part of our business and could have a material adverse effect on our business, results of operations or financial condition.

Our operations could suffer from telecommunications or technology downtime, increased technology costs or an inability to successfully anticipate, manage or adopt technological advances within our industry.

Our success depends on sophisticated telecommunications and computer equipment, as well as software systems. In the normal course of our business, we must record and process significant amounts of data quickly and accurately to access, maintain and expand the databases we use for our pricing and collection activities. We also use these systems to identify and contact large numbers of consumers and record the results of our collection efforts. These systems could be interrupted by terrorist acts, natural disasters, power losses, computer viruses or similar events. Any failure of our systems, especially if it also impacts our backup or disaster recovery systems, would disrupt our operations and materially and adversely affect our business. Any temporary or permanent loss of our ability to use our telecommunications or computer equipment and software systems could disrupt our operations and have a material adverse effect on our financial condition, financial returns or results of operations.

Further, our business depends heavily on services provided by various internet service providers and local and long distance telephone companies. Our ability to use telecommunications systems to contact consumers is governed by data protection, telecommunications and privacy requirements and regulatory rules and guidance issued by regulators. These may change and may make using, accessing, transferring or storing consumer documentation more onerous in the future. If our equipment or systems cease to work or it becomes difficult to continue to use them in the same manner as we do today as a result of any regulatory development, we may be prevented from providing services and we may not be able to collect on the receivables we have purchased. We may face similar consequences if there is any change in the telecommunications market that would affect our ability to obtain favorable rates on communication services or if there is any significant interruption in internet or telephone services. Since we generally recognize revenue and generate operating cash flow primarily through collections, any failure or interruption of services and collections would mean that we would continue to incur payroll and other expenses without any corresponding income.

Additionally, computer and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. 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.

Improper disclosure of our clients' sensitive data, consumer data or a breach of data protection laws could negatively affect our business or reputation.

We handle and process large amounts of potentially sensitive or confidential information, such as personal information of consumers, including names and account numbers, locations, contact information and other account specific data. Any security or privacy breaches of these databases 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. We rely on our decision science systems to record and process significant amounts of data quickly and accurately to access, maintain and expand the databases we use for our debt collection and for our analysis of potential debt purchases. Our ability to conduct our business, including our ability to price the purchase of portfolios, trace consumers and develop tailored repayment plans, depends on our ability to use consumer data in our decision science systems.

Our ability to obtain, retain, share and otherwise process consumer data is governed by data protection laws, privacy requirements and other regulatory restrictions. For example, in Germany and the UK, personal data may only be collected for specified, explicit and legitimate purposes, and may only be processed in a manner consistent with these purposes. Further, to comply with the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) and the UK Data Protection Act 1998, both implementing Directive 95/46/EC of the European Parliament and of the Council dated October 24, 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, personal data collected within the scope of these Acts must be adequate, relevant and not excessive in relation to the purposes for which it is collected and/or processed, and it must not be kept in a form that permits identification of consumers for a longer period of time than necessary for the purposes of the collection or other legal obligations, *e.g.*, in Germany, obligations pursuant to the German Commercial Code (*Handelsgesetzbuch* (HGB)). Similar restrictions will be imposed by the EU General Data Protection Regulation, the amended German Federal Data Protection Act and the new Data Protection Bill in the UK (see ''*—We are subject to UK, German and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business—Laws and Regulations affecting our Processing of Personal Data*'').

We may not be able to prevent the improper disclosure or processing of such sensitive information in breach of contract and applicable law. These databases and consumer 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 breach of these databases could expose us to liability, increase our expenses relating to the resolution of these breaches, harm our reputation and deter vendors from selling debt to 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 issue of data protection could have a material adverse effect on our business, results of operations or financial condition.

Failure to protect our consumer data from unauthorized use or provide adequate data protection could negatively affect our business.

Failure to protect, monitor and control the use of our consumer data could cause us to lose a competitive advantage. We rely on a combination of contractual provisions and confidentiality procedures to protect our consumer data, and our consumer data is stored and protected in our IT infrastructure platform with access limitations in accordance with our technical and organizational measures. These measures afford only limited protection, and competitors or others may gain access to our consumer data. Our consumer data could be subject to unauthorized use, misappropriation or disclosure, despite our having required our employees, consultants and clients to enter into confidentiality agreements. There can be no assurances that such confidentiality agreements will not be breached or will be of sufficient duration and that adequate remedies will be available in the event of an unauthorized use or disclosure. Policing unauthorized use of such rights can be difficult and expensive, and adequate remedies may not be available or available in an acceptable time frame. A failure to protect our consumer data from unauthorized use, or to comply with current applicable or future laws or regulations, could have a material adverse effect on our business, results of operations or financial condition.

Our confidentiality agreements may be breached, or may fail to protect our proprietary processes and systems.

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

- our 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 know-how.

In addition, there can be no assurances that others will not obtain knowledge of these trade secrets through independent development or other access by legal means.

We may initiate lawsuits to enforce our 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 prevail in any such litigation or proceeding. A determination in a proceeding that results in a finding of non-infringement or non-violation by others of our intellectual property or confidential agreements may result in the use by competitors of our technologies or processes, which may have a material and adverse effect on our financial condition, financial returns and results of operations.

Our risk management procedures may fail to identify or anticipate future risks.

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, and we may be held liable for the acts of intermediaries if we cannot demonstrate that we have adequate procedures in place to prevent risks such as bribery. For example, debt originators typically require us to assume responsibility for the acts of their respective third-party intermediaries in relation to ongoing compliance matters. Further, we keep track of employee misconduct and have policies and procedures in place to minimize its impact, but these procedures may not prove sufficient (for example, to avoid employee fraud). Failure (or the perception that we have failed) to develop, implement, monitor and, when necessary, preemptively upgrade our risk management policies and procedures could, at the very least, give rise to reputational issues for both us and any associated debt originators, and may result in breaches of contractual obligations by us, for which we may incur substantial losses and face removal from debt originators' purchasing panels. Risks that we fail to anticipate, and/or adequately address, could have a material adverse effect on our business, prospects, results of operations and financial condition.

Loss of one or more members of senior management or a significant number of trained personnel could negatively affect our business.

Our future success depends on the skills, experience and efforts of our senior management and other key personnel and our ability to retain such members of our senior management team and other key employees. We may not be able to retain our executive officers and key management personnel or attract additional qualified management in the future. The loss of the services of our senior management and other key personnel could seriously impair our ability to continue to purchase portfolios or collect claims and to manage and expand our business, which could have a material adverse effect on our business, results of operations or financial condition.

In addition, our growth requires that we continually hire and train new consumer account associates (each, a ''**CAA**''). As is typical among companies that rely on call center operations in the UK market, employee turnover among CAAs in our UK Division has been significant. For example, as of June 30, 2017, the average tenure of our CAAs in the UK was 26 months. Increases in the turnover rate among our CAAs at any of our companies could increase our recruiting and training costs and limit the number of experienced personnel available to service our and our clients' portfolios. If this were to occur, we would not be able to service such portfolios effectively and the constraint on our resources may reduce our ability to continue our growth and to operate profitably. The demand in our industry for personnel with the relevant capabilities and experience is high and our success in attracting and retaining employees is not guaranteed. There can be no assurances that we will be able to continue to hire, train and retain a sufficient number of qualified personnel to maintain adequate staffing levels or to be flexible enough to react to changing market environments.

We also have a number of employees who possess critical knowledge about our IT infrastructure platform, decision science systems and our debt purchase operations, and an inability to retain these employees could negatively impact our business. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

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 June 30, 2017, we had approximately 2,890 FTE employees. An increased demand for our employees from competitors could increase costs associated with employee compensation, which could have a material adverse effect on our business, results of operations or financial condition.

In the UK, although no union has reached the membership threshold required for formal recognition, if any union were to reach membership levels of 10% or more of our UK Division's total employees and were to be formally recognized, such union would need to be consulted on a number of business decisions affecting its members' terms of employment. In addition, if the unions to which our UK employees currently belong were to consolidate, or if any union were to attract more employees, that union may seek employment terms that could adversely affect the stability of our work force and increase our costs.

Our German employees have established a company works council (*Konzernbetriebsrat*), two joint works councils (*Gesamtbetriebsräte*) and seven works councils (*Betriebsräte*). We also have two collective bargaining agreements (*Manteltarifverträge*) currently in force for German employees who were carved out of our clients' operations. In accordance with the German One-Third Participation Act (*Drittelbeteiligungsgesetz*) in connection with applicable provisions of the Stock Corporation Act (*Aktiengesetz*), we have established a Supervisory Board (*Aufsichtsrat*).

Any move by our employees toward further unionization or any other labor relations disputes or work stoppages and/or strikes could disrupt our operations and have a material adverse effect on our business, results of operations or financial condition.

Litigation, investigations and proceedings may negatively affect our business.

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. There are certain lawsuits pending, which, if the outcomes are resolved against us, could have a material adverse effect on our business, results of operations or financial condition. See ''*Our Business—Litigation*.'' For example, we are engaged in ongoing appraisal right proceedings in relation to the 2006 merger of GFKL Holdco and a listed stock corporation ABIT AG, where ABIT AG shareholders were offered a GFKL Holdco share conversion or cash compensation for their ABIT shares. Twenty-seven ABIT shareholders initiated an appraisal rights proceeding and while an initial decision was rendered in 2012, the decision was set aside and the matter was remitted to the district court. The outcome of this proceeding is inherently uncertain. As of December 31, 2016, the Group has recognized provisions of €7.6 million for potential payments. However, we cannot predict when the matter will be resolved or assure you that any such litigation will not result in payment of settlement amounts or the granting of other remedies in excess of what we have provisioned. See ''*Our Business—Litigation—Our DACH Division's Litigation*.'' In addition, several former minority shareholders of GFKL Holdco initiated appraisal proceedings (*Spruchverfahren*) against Lowell Holding seeking a higher cash compensation (*Barabfindung*) in connection with the squeeze-out in late 2015 on the grounds that the cash compensation as determined by Lowell Holding as then majority shareholder was inadequate. See ''*Our Business—Litigation—Our DACH Division's Litigation*.''

We may become subject to claims and a number of judicial and administrative proceedings, including consumer credit disputes with consumers, labor disputes, contract disputes, intellectual property disputes, environmental proceedings, government audits and proceedings, tax audits and disputes and client disputes. In some proceedings, the claimant may seek damages as well as other remedies, which, if granted, would require expenditures on our part, and we may ultimately incur costs relating to these proceedings that exceed our present or future financial accruals or insurance coverage. Even if we or our directors, officers and employees (as the case may be) are not ultimately found to be liable, defending claims or lawsuits could be expensive and time consuming, divert management resources, damage our reputation and attract regulatory inquiries. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

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 claims volumes have been made in relation to premiums for mis-sold PPI (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 or other counterparties. 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.

Our collections may decrease and/or the timing of when we collect be delayed if the number of consumers becoming subject to personal insolvency procedures increases.

We recover on claims that may become subject to insolvency procedures under applicable laws and we also purchase portfolios containing claims that are currently subject to insolvency proceedings. In the UK, these include individual consumers who may have an individual voluntary arrangement with their creditors. In Germany, these include insolvency proceedings regarding natural persons (*Verbraucher*) (for further details on such German law insolvency proceedings regarding natural persons please refer to ''*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Germany—German insolvency proceedings regarding natural persons*'').

Various economic trends and potential changes to existing legislation may contribute to an increase in the number of consumers subject to personal insolvency procedures. Under some insolvency procedures, a person's assets may be sold to repay creditors, but because the debt portfolios that we service are generally unsecured, we are generally unable to collect on such debt portfolios through these proceedings. Therefore, our ability to successfully collect on portfolios may decline, or the timing of our collections on portfolios may be delayed, as a result of an increase in personal insolvency procedures. These scenarios could have a material adverse effect on our business, results of operations or financial condition.

We may be unable to enforce accounts where any underlying debt documentation is legally defective.

When we commence enforcement actions through legal proceedings, courts may require a copy of the account statements or applications to be attached to the pleadings in order to obtain a judgment against a particular consumer. Where we are unable to produce account documents in response to a consumer's request, that account would be legally unenforceable. Furthermore, if any of the account documents we do have were found to be legally unenforceable, courts may deny our claims. Any changes to laws, regulations or rules 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, which could also have a material adverse effect on our business and results of operations.

We may purchase portfolios that contain accounts that are not eligible to be collected, including due to defects in consumer documentation that may make the credit agreements unenforceable, and an enforcement of related claims may be difficult.

In the normal course of our debt portfolio purchases, and in the management of any forward flow agreements that we may enter into from time to time, some individual accounts may be included in the portfolios that fail to conform to the terms of the purchase contracts, and we may seek to return these accounts to the debt originator for payment or replacement. Such debt originator may, however, be unable to meet its obligations to us or we may not identify non-conforming accounts soon enough, or at all, to qualify for recourse to the debt originator. Further, our debt purchase agreements impose or may impose restrictions on our ability to return non-conforming accounts by imposing a minimum threshold value that must be met. Each contract specifies which accounts are eligible and which are not. Examples of ineligible accounts could include those that have a foreign address, those that have been subject to fraud, those that have an incorrect balance or those involving a consumer 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.

If we fail to identify whether our requirements are met during the due diligence process undertaken during a debt purchase transaction, the applicable credit agreement may become 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. The quality of historical consumer documentation may not allow, in each case, the discovery of past breaches relating to form and content requirements that 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 consumer accounts, a contract found to be invalid or unenforceable could hinder our ability to recover from purchased accounts. If we purchase debt portfolios containing too many accounts that do not conform to the terms of the purchase contracts or contain accounts that are otherwise uncollectable or unenforceable, we may be unable to recover a sufficient amount, or anything at all, and such a portfolio purchase could be unprofitable. Additionally, we may be unable to ascertain whether the debt originator has been in compliance in connection with the underlying accounts at a sufficiently early stage. With respect to any future acquisitions of other debt collection companies, we may not have any contractual protection in relation to liabilities or operating or other problems in relation to the loan portfolios of the acquired company, and we may not discover such shortcomings until after completion of such acquisitions. 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.

For a significant number of portfolios, particularly in Germany, we act as beneficial owner. We may not be able to collect on a portfolio to which someone else holds legal ownership, or we may need to spend time and resources establishing our own legal ownership of the portfolio if such ownership was unclear. Moreover, in instances where underlying documentation does not prove the existence, ownership or enforceability of an account, or where an account balance is incorrect, we may not always have the right to transfer such accounts back to the debt originator. Additionally, in such instances, we may be contractually required to repurchase accounts that we have subsequently sold to third parties.

Furthermore, enforcement of claims under German law generally requires a creditor to obtain an execution title (*Vollstreckungstitel*). An execution title is not automatically transferred with the underlying claim. An execution title is generally rendered in the name of a specific creditor that has the sole right to enforce the claim. Although for many of our German portfolio debt purchases we benefit from acting as a beneficial owner with the original creditor as trustee, which allows us to enforce on the basis of existing execution titles, we may not be able to enforce the claim using the existing execution title if the original creditor is no longer available to serve as trustee, *e.g*., in the event that the creditor is liquidated. We also may not use an existing execution title if we are the legal owner of the claim. In such situations, an execution title must be amended by way of a circumscription of title (*Titelumschreibung*), subject to certain legal requirements set forth by the German Code of Civil Procedure (*Zivilprozeßordnung*). This procedure allows other persons who are not named in the respective execution title to use it for enforcement. The circumscription of title bears additional cost and time that is incurred for any single claim and may result in considerable additional expense. Additionally, under certain circumstances it may be difficult or impossible to achieve a circumscription of title, *e.g*., if the documentation required by law is not available or the original creditor ceases to exist, which may prevent us from enforcing a claim.

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

Historical operating results and quarterly cash collections may not be indicative of future performance.

Our past performance may not be indicative of future operating results. Our results of operations and financial condition are dependent on our ability to generate collections from overdue receivables, which in turn is impacted by the ability of consumers to pay. The ability of consumers to refinance their existing debt, as well as annual cycles in disposable income, could result in a reduction in the volume of NPLs available for collection or purchase. Furthermore, collections within portfolios tend to be lower in months where there are fewer working days, for example months with public holidays. In addition, we are exposed to quarterly variations in our operating results, which may be affected by the timing of the closing of debt portfolio purchases, which we often cannot control and may be uneven during the year, and the speed with which we can integrate the portfolios into our systems. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

Due to our financial history, certain of our financial information included herein needs to be carefully considered, as it is not directly comparable to other financial information included herein.

Certain financial information included in this Offering Memorandum is not directly comparable. This Offering Memorandum includes historical financial information of the Group, Metis Bidco Limited and its consolidated subsidiaries and GFKL Holdco and its consolidated subsidiaries. Consolidated reporting for the Group has been carried out at the Parent since it was incorporated on June 1, 2015. However, the Parent had no operations, and thus no financial results, until the GFKL Acquisition Completion Date, and the financial results of the Parent were the product of our DACH Division's operations alone from this date until the Lowell Acquisition Completion Date. Accordingly, the Group Consolidated Financial Statements for 2015 incorporate only the Group's results for the period from June 1, 2015 through December 31, 2015, and these statements incorporate the results of our DACH Division for only the period from June 30, 2015 through December 31, 2015, and of our UK Division for only the period from October 13, 2015 until December 31, 2015. Thus, these results will not be directly comparable to the 2016 Group Consolidated Financial Statements, the Group's future financial statements or any of the other financial statements included in this Offering Memorandum.

In addition, Metis Bidco Limited's consolidated financial information is not directly comparable to GFKL Holdco's consolidated financial information for various reasons, and the historical financial information of Metis Bidco Limited and its consolidated subsidiaries presented in this Offering Memorandum for certain years may not be directly comparable to the corresponding information from other years. The UK Division Consolidated Financial Statements were prepared on the basis of a September 30 or December 31 year end and represent 15-month and 12-month periods (as applicable), while the DACH Division Consolidated Financial Statements were prepared on the basis of a December 31 year end and represent 12-month periods. Moreover, the DACH Division Consolidated Financial Statements were prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (*Handelsgesetzbuch*). See ''*Presentation of Financial and Other Information—Financial Information—DACH Division*.''

Furthermore, our DACH Division changed its accounting policies with respect to its portfolio assets in 2015 in order to harmonize its approach to that of our UK Division. The DACH Division 2015 Audited Consolidated Financial Statements, including the prior-year comparative presented therein, reflect this change whereas the DACH Division 2014 Audited Consolidated Financial Statements do not. The differences described above could be material to the information contained herein, and the discussions herein of the financial results of Metis Bidco Limited and GFKL Holdco are necessarily limited by the lack of comparability among their financial information.

With the exception of the acquisitions made in 2016, the 2016 Group Audited Consolidated Financial Statements include Metis Bidco Limited and its consolidated subsidiaries and GFKL Holdco and its consolidated subsidiaries for the full year. Because the IS Inkasso Service acquisition was completed at the end of May 2016, the Tesch Group acquisition was completed at the end of September 2016 and the Apontas acquisition was completed in mid-October 2016, the 2016 Group Audited Consolidated Financial Statements incorporate the results of IS Inkasso Service, Tesch Group and Apontas only since June 1, 2016, October 1, 2016 and October 1, 2016, respectively.

Certain pro forma financial and other information included herein needs to be carefully considered.

For the convenience of readers only, we include certain unaudited *pro forma* consolidated financial information in this Offering Memorandum to illustrate the effect of the Lowell Acquisition and the GFKL Acquisition on the consolidated income statements of the Group by giving effect to these acquisitions and the issuance of the Existing Sterling Notes and the Existing Euro 2022 Notes as if they had occurred on January 1, 2015. See ''*Presentation of Financial and Other Information—Unaudited Pro Forma Condensed Consolidated Financial Information.*''

The Unaudited *Pro Forma* Condensed Consolidated Financial Information presented herein is based upon available information and assumptions that we believe are reasonable but are not necessarily indicative of the results that actually would have been achieved if the Lowell Acquisition and the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing Euro 2022 Notes had been completed January 1, 2015 or that may be achieved in the future, and is provided for informational purposes only. Pro forma financial information usually covers only a current interim period and the last completed financial year, at most, whereas the Unaudited *Pro Forma* Condensed Consolidated Financial Information included in this Offering Memorandum presents periods beyond the prior period as of the current date.

We also present *Pro Forma* Adjusted EBITDA in this Offering Memorandum to illustrate the effect of the acquisition of the Tesch Group on the Group's Adjusted EBITDA by adjusting this figure to give *pro forma* effect to this acquisition as if it had occurred on July 1, 2016. The adjustments we used to calculate *Pro Forma* Adjusted EBITDA were based upon the EBITDA of Tesch, as adjusted for acquired debt portfolios, amortization and exceptional items. EBITDA as defined by Tesch may differ from the Group's definition of this metric, and such differences could materially affect our *Pro Forma* Adjusted EBITDA. In addition, Tesch prepares its financial statements in accordance with German GAAP, rather than IFRS. The EBITDA and cash income contribution of Tesch may have been significantly different if it had been calculated using financial information that was prepared in accordance with IFRS, and there can be no assurance that our *Pro Forma* Adjusted EBITDA was not materially affected by such a difference. See ''*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures*.''

As a result of the differences in the historical consolidated financial information of Metis Bidco Limited and GFKL Holdco, the Unaudited Pro Forma Condensed Consolidated Financial Information was prepared on the basis of available information, including financial information derived from financial statements that are not included in this Offering Memorandum, and certain assumptions and adjustments.

The Unaudited *Pro Forma* Condensed Consolidated Financial Information was prepared on the basis of:

- The audited consolidated financial statements of the Parent as of December 31, 2015 and for the period from June 1, 2015 (date of incorporation) to December 31, 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in the following, ''IFRS'');
- Unaudited and unpublished interim consolidated income statement of Carl Holding GmbH (which, prior to its merger with Lowell Holding, was the indirect parent holding company of GFKL Holdco) for the period from January 1, 2015 to June 30, 2015, which was derived from the unaudited and published IAS 34 condensed consolidated financial statements of GFKL Holdco as of and for the six-month period ended June 30, 2015 and Carl Holding GmbH's accounting records;
- Audited and unpublished consolidated income statements of Metis Bidco Limited for the period from October 13, 2015 to December 31, 2015;
- Unaudited and unpublished consolidated income statements of Metis Bidco Limited for the period from January 1, 2015 to December 31, 2015;
- Published IFRS consolidated financial statements of Metis Bidco Limited for the 15-month period ended December 31, 2015; and
- Metis Bidco Limited accounting records.

The unaudited interim consolidated financial statements of the Parent for the period from June 1, 2015 (date of incorporation) to June 30, 2015, the historical financial statements of Carl Holding GmbH and the unpublished financial information of Metis Bidco Limited were used to prepare the Unaudited Pro Forma Condensed Consolidated Financial Information and are not included in this Offering Memorandum. See ''*Presentation of Financial and Other Information—Financial Information*.''

The historical financial information of Carl Holding GmbH and Metis Bidco Limited used to prepare the Unaudited Pro Forma Condensed Consolidated Financial Information was adjusted to align certain historical accounting policies of Carl Holding GmbH and Metis Bidco Limited, respectively, to those of the Parent. See ''*Unaudited Pro Forma Condensed Consolidated Financial Information—2. Historical Financial Information*.'' In addition, the historical financial information of Carl Holding GmbH was adjusted to translate the currency in which such information was expressed in the financial statements from which it was derived from euros to pounds sterling. These adjustments are reflected in the figures in the historical columns for Carl Holding GmbH and Metis Bidco Limited included in the Unaudited Pro Forma Condensed Consolidated Financial information without reconciliation of such figures to the unadjusted figures in the applicable historical financial statements of Carl Holding GmbH and Metis Bidco Limited, respectively.

We are exposed to the risk of currency fluctuations.

We have operations throughout Europe and are therefore exposed to financial risks that arise from changes in exchange rates. Currency exchange fluctuations could cause losses if assets denominated in currencies with a falling exchange rate lose value, while at the same time liabilities denominated in currencies with a rising exchange rate appreciate. As a result of these factors, fluctuations in exchange rates could affect our results of operations. For example, we present our consolidated financial reports in pounds sterling but the operations of our DACH Division are conducted in euro. Our business is therefore sensitive to fluctuations in foreign currency exchange rates, especially euro-pound sterling exchange rates. The presentation of our results of operations may be affected by the translation of foreign currencies into pounds sterling for the purpose of our consolidated financial statements. We do not currently hedge any of our foreign exchange risks. Consequently, to the extent that foreign exchange rate exposures are not hedged, fluctuations in currencies may adversely affect our financial results in ways unrelated to our operations. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Although we may enter into certain hedging arrangements in the future, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. In addition, if we were to use any hedging transactions in the future in the form of derivative financial instruments, such transactions may result in market-to-market losses and may prove to be ineffective.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Note Guarantees or cause the market price of the Notes to decline.

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

Debt portfolios do not become available for purchase on a consistent basis throughout the year. Accordingly, there may be times when a number of portfolios, or particularly large portfolios, are available for purchase at similar times, which may prevent us, due to restrictions in our funding ability, from pursuing all of the then available debt purchase opportunities. As a result, we may fail to maintain our market share. The inconsistency in the availability of debt portfolios for purchase may mean that during certain financial reporting periods we may make few or no purchases of debt portfolios. In addition, large purchases at the end of a financial period would likely have a material and adverse effect on our reported financial ratios. See *''Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations*,'' ''*Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations*'' and ''*Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations*.''

It is not unusual to experience a gap between the time of acquisition of a debt portfolio and the time that we begin earning returns on the acquired portfolio as we need to locate consumers, build a consolidated profile of each such consumer's circumstances and formulate an appropriate repayment solution before we can start to collect on an acquired portfolio. As a result, we may experience uneven cash flows and delays in generating income from purchased loan portfolios. For example, if we were to acquire a material portfolio at the end of a reporting period, then this would increase our 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 on favorable terms to purchase further debt portfolios as they become available*.''

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

Rising interest rates could impair the financial viability of consumers who have variable interest rate obligations or other significant debt that bears floating rate interest. If our consumers experience a reduced ability to pay their debt, debt collection agencies may require higher commissions to address increased collection activity costs, and we could face higher payment plan default rates and lower average payments, any of which could reduce our cash generation or prolong the time required to collect cash, and reduce our return on capital and on 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 consumers (*i.e.*, the number of accounts matched to a consumer may reach a point at which that consumer lacks the financial means to pay on all of the accounts that we own). Even if our efforts were to prove successful in avoiding some defaults, total collections may still decline or the timing of receipt of payments may lengthen, any of which would impair our financial condition and results of operations.

We may enter into interest rate hedges in the future which may be ineffective or may not be implemented correctly.

Although we are subject to the risk of changes in interest rates, we no longer use interest rate swaps to hedge the effect of changes in the interest rate on our profit and loss. We may enter into interest rate hedges in the future, and at such time we may be subject to the risk of changes in interest rates and their impact on our derivative instruments. We may use interest rate swaps to hedge the effect of changes in the interest rate on our profit and loss. We may further hedge parts of our cash-flow risk that arises out of variable interest agreements on the refinancing side. We may enter into a derivative contract by paying fixed interest payments in exchange for receiving floating rate interest payments. When interest rates rise, our unhedged floating rate and new financing costs rise (to the extent we are party to relevant instruments), thereby reducing our profit or increasing our loss, but we may also receive higher interest income from our derivative instruments, which would offset (to the extent of such increase in income) the decline in profit or increase in loss from the rise in financing costs. Conversely, when interest rates decline, our unhedged floating rate and new financing costs decline (to the extent we are party to relevant instruments), thereby increasing our profit or decreasing our loss, but our interest income from any of our derivative instruments would decline, thus offsetting (to the extent of such decrease in income) any changes to profit and loss due to interest rate movements. At such time as we enter into hedges, we will be subject to the risk that there is a mismatch either between the interest swap performance and the change in the underlying funding cost that the derivative instruments are structured to hedge. We may also be exposed to the risk that our hedges could be implemented or priced incorrectly. Volatility in interest rates could impact valuation of interest rate swaps and therefore impair our ability to enter into these contracts on terms that enable us to achieve the hedging we need. If interest rates turn negative, our derivative instruments (to the extent we are party to such instruments) would not achieve our hedging needs. In addition to paying fixed interest payments, a negative interest rate would increase our interest payment instead of our receiving a floating rate interest payment in return. Furthermore, our derivative contracts (to the extent we are party to such contracts) may be subject to termination or break clauses, which may force us to renegotiate or replace those contracts on unattractive terms. Any of these events could cause losses and have a material adverse effect on our business, results of operations or financial condition. Moreover, although we may enter into certain hedging arrangements in the future, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms.

We may not be successful in achieving our strategic goals.

We may not be successful in developing and implementing our strategic plans for our businesses. If the development or implementation of such plans is not successful, we may not produce the revenue, margins, earnings or synergies that we need to be successful and to offset the impact of adverse economic conditions that may exist currently or develop in the future. We may also face delays or difficulties in implementing process and system improvements, which could adversely affect our ability to successfully compete in our core markets. In addition, the costs associated with implementing such plans may exceed anticipated amounts and we may not have sufficient financial resources to fund all of the desired or necessary investments required in connection with our plans, including one-time costs associated with our business consolidation and operating improvement plans.

The existing and future execution of our strategic and operating plans will, to some extent, also be dependent on external factors that we cannot control, such as regulatory, legislative changes, systemic failures in our industry or the industry sectors of our clients and changes in fiscal and monetary policies or the economic environment in our markets. In addition, these strategic and operational plans need to be continually reassessed to meet the challenges and needs of our businesses in order for us to remain competitive. The failure to implement and execute our strategic and operating plans in a timely manner or at all or the failure to realize the cost savings or other benefits or improvements associated with such plans could have a material adverse effect on our business, results of operations or financial condition.

Pending and future tax audits within our Group and changes in fiscal regulations could lead to additional tax liabilities.

We are subject to routine tax audits by local tax authorities. Our UK Division's tax returns are prepared in accordance with UK tax legislation and prevailing case law. Certain tax positions taken by our UK Division are based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. These positions may relate to tax compliance, sales and use, value added, franchise, gross receipts, payroll, property and income tax issues, including tax base and apportionment. Challenges made by tax authorities to our UK Division's application of tax rules may result in adjustments to the timing or amount of taxable income or deductions. If any such challenges are made and are not resolved in our favor, they could have an adverse effect on our financial condition and result of operations.

In addition, we are exposed to potential tax risks related to acquisitions, disposals and reorganizations, if our position with regard to the tax consequences of the acquisitions, disposals and reorganizations is challenged in a tax audit. Further, our UK Division's effective tax rate in a given financial year reflects a variety of factors that may not be present in the succeeding financial year or years. One such factor affecting this effective tax rate is the relevant standard rate of corporation tax assessed against our UK Division, which is subject to change. This rate is currently 19% as of April 2017. In addition, changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities including those tax laws relating to the utilization of tax loss or credit carry forwards, and changes in our assessment of certain matters, such as the ability to realize deferred tax assets, may also have a material adverse effect on our business. For example, in the UK, value added tax is not currently required to be paid on the collections we make on telecommunications or retail debt, as the sale of such debt triggers a tax exemption. However, a change in the rules of application of value added tax on telecommunications or retail debt, providing that such tax would be payable, could have a material and adverse effect on our business. Any additional tax payments could have a material adverse effect on our margins and results of operations and financial condition.

Our DACH Division's tax audits in Germany have been finalized for corporate income tax (*Körperschaftsteuer*), trade tax (*Gewerbesteuer*) and VAT (*Umsatzsteuer*) for financial years up to and including the year ended (i) December 31, 2003 in the case of GFKL Holdco and (ii) December 31, 2009 in the case of most other DACH Division companies. Ongoing tax audits for the DACH Division, which comprise, for most DACH Division companies, the period up to and including the financial year ended December 31, 2013, tax audits for later periods not yet subject to a tax audit or tax audits in other countries may lead to higher tax assessments in the future. For example, the DACH Division operates a number of tax groups (*Organschaften*) in Germany and these tax structures may be challenged in future tax audits. Non-recognition of our tax groups by the German tax authorities could lead to additional tax liabilities. In addition, tax authorities ordered an extraordinary VAT audit with respect to Lowell Holding, which is currently ongoing.

The Tesch Group's tax audits have been finalized for corporate income tax (*Körperschaftsteuer*), trade tax (*Gewerbesteuer*) and VAT (*Umsatzsteuer*) for financial years up to and including the year ended (i) December 31, 2012 in the case of Tesch, Tesch Inkasso GmbH and Tesch Inkasso Forderungsmanagement GmbH, (ii) December 31, 2011 in the case of Tesch Inkasso Finance GmbH and (iii) December 31, 2010 in the case of Tesch mediafinanz GmbH. Other tax audits for the Tesch Group, ongoing tax audits, tax audits for periods not yet subject to a tax audit or tax audits in other countries may lead to higher tax assessments in the future. For example, tax groups (*Organschaften*) operated in Germany by entities of the Tesch Group may be challenged in future tax audits. Non-recognition of the Tesch Group's tax groups by the German tax authorities could lead to additional tax liabilities.

In connection with the last tax audit of Tesch, part of the interest on shareholder loans was considered as a constructive dividend by the tax authorities resulting in an additional corporate income tax, trade tax and withholding tax at the level of Tesch Inkasso GmbH of approximately €64,000 and at the level of Tesch of approximately €67,000. This treatment has been challenged by tax appeals and leap-frog actions (*Sprungklagen*). For the pending appeals and court proceedings suspensions of proceedings (*Ruhen des Verfahrens*) and suspensions of execution (*Aussetzung der Vollziehung*) have been granted. An adverse outcome in the tax appeals and proceedings could lead to additional tax liabilities (including interest) and could have an adverse effect on our financial condition and result of operations.

Further shareholder loans have been granted on similar terms and conditions in the course of Tesch's acquisition of former Tesch Verwaltungs GmbH (now merged into DC Debitoren Management GmbH) and Tesch Inkasso Finance GmbH (formerly Transcom CMS Forderungsmanagement GmbH). Future tax audits may challenge the treatment resulting in an additional corporate income tax, trade tax and withholding tax of up to €1.2 million to €1.3 million. An adverse outcome from such tax audits and from possible tax appeals and proceedings could have an adverse effect on our financial condition and result of operations.

Due to the forfeiture of loss carry forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains.

Tax loss carry forwards and unused losses of the current financial year are forfeited in full if more than 50% of the subscribed capital, membership rights, participation rights or voting rights in certain of our German companies are transferred, directly or indirectly, to an acquirer or related parties of such acquirer (or a group of acquirers with common interests) within a period of five years or of comparable measures (the so-called ''harmful acquisition''). As regards transfers of more than 25% and up to 50% under the same prerequisites, tax loss carry forwards and unused losses of the current financial year are forfeited on a *pro rata* basis. If and to the extent the tax loss carry forwards and unused losses of the current financial year are covered by the built-in gains of the loss-making company's business assets that are subject to domestic taxation, a forfeiture of such items would generally not apply.

The loss forfeiture rules applicable in the years from 2008 until and including 2015 were challenged in court and the German Federal Constitutional Court (*Bundesverfassungsgericht*) held in its ruling dated March 29, 2017, that parts of the provisions on the forfeiture of losses infringe the German constitution. Such forfeiture rules will, therefore, be void unless the German legislator drafts and implements new rules until December 31, 2018. The impact of the ruling on the current version of the forfeiture rules is, however, unclear.

With respect to the acquisition of GFKL Holdco by Carl Holding GmbH (which subsequently merged into Lowell Holding) in 2009, we have applied for a binding tax ruling to confirm that the loss carry forwards will not be affected on the basis of the application of the so-called ''restructuring exception'' granted by the applicable tax laws. The ruling was granted in September 2009, but revoked in April 2011 on the basis of a decision of the European Commission. The DACH Division has filed court rulings and appeals against, *inter alia*, the European Commission. Appeals and court rulings are still pending. The DACH Division has made accruals for the taxes and interest relating to the appeals and court rulings, which amounted to €11.4 million for suspended taxes and €3.9 million for interest as of June 30, 2017. Any payments resulting from losing the court rulings and appeals could have a material adverse effect on our results of operation and financial position.

With respect to the acquisition of Carl Holding GmbH by Lowell Holding in 2015, we believe that tax loss carry forwards of Carl Holding GmbH (now merged into Lowell Holding) will be forfeited, but tax loss carry forwards of GFKL Holdco will be protected by the built-in gains clauses and thus remain available for offsets against future profits. If tax authorities and the tax court do not follow that position and thus claim for forfeiture of tax loss carry forwards, a deferred tax asset accrued for at the GFKL Holdco level with an amount of €7.6 million may be forfeited, thus such forfeiture may have a material adverse effect on our business, financial condition and results of operations.

Due to restrictions on the deduction of interest expenses under German tax laws, we may be unable to fully deduct interest expenses on our financial liabilities.

Interest payments on our debt may not be fully deductible for tax purposes, which could adversely affect our financial results. Subject to certain prerequisites, the German interest barrier rules (*Zinsschranke*) impose certain restrictions on the deductibility of interest for tax purposes. Since 2008, the German interest barrier rules in general have disallowed the deduction of net interest expenses exceeding 30% of the tax-adjusted EBITDA. For purposes of the interest barrier rules, all businesses belonging to the same tax group (*Organschaft*) for corporate income and trade tax purposes are treated as one single business. Such consolidation is, *inter alia*, relevant for the calculation of tax-adjusted EBITDA. There are certain exemptions from the restrictions of the German interest barrier rules allowing for a tax deduction of the entire annual interest expenses, which, however, may not be available in the case at hand. Any non-deductible amount of interest expenses exceeding the threshold of 30% is carried forward and may, subject to the interest barrier rules, be deductible in future fiscal years. In the past, Carl Holding GmbH's interest expenses were not entirely deductible. The interest carry forward will be forfeited in full in connection with a change of the ownership structure (*i.e.*, the acquisition of Carl Holding GmbH by Lowell Holding in 2015) as described in the preceding risk factor ''—*Due to the forfeiture of loss carry forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains.*'' Such forfeiture may have a material adverse effect on our business, financial condition and results of operations.

With respect to the Tesch Group entities we expect that any interests should be fully deductible for tax purposes. However, subject to certain prerequisites, the German interest barrier rules (*Zinsschranke*) might apply and may have material adverse effect on our business, financial condition and results of operations.

The VAT treatment of the purchase of non-performing loans performed by us may be challenged or changed resulting in additional cash out for VAT.

A substantial part of the business of our DACH Division is the purchase of portfolios of NPLs. Our DACH Division collects the receivables for its own account, taking the risk of final payment default. Generally, the purchase price for NPLs is determined by estimating the value of collectable receivables (‘‘**economic nominal value**’’)—which is less than the nominal value of the receivables—less the cost of debt collection and of pre-financing and discounted using an appropriate discount rate. In 2003, the European Court of Justice (‘‘**ECJ**’’) decided that the purchase of receivables for a subsequent cash collection (factoring) is to be treated as a supply of a taxable service from the purchaser to the seller (C-305/01, MKG). The seller would be relieved from the collection of the receivables as well as from the risk of (final) payment default. The ECJ decision was also adopted by the German tax authorities for the purchases of NPLs (old version of Section 2.4 para. 1 and para. 8 German VAT Guidelines, ‘‘**UStAE**’’). On October 27, 2011, the ECJ decided that acquisitions of NPLs are not subject to VAT (C93/10, GFKL). This court decision was adopted by the German Federal Tax Court (‘‘**BFH**’’) in a decision dated January 26, 2012 (V R 18/08). The BFH decision also said that no input VAT could be claimed on costs incurred in connection with NPLs acquisitions as well as on costs incurred in connection with the collection of the receivables, and referred back to the local Tax Court Düsseldorf. Our DACH Division has since withdrawn its initial lawsuit. Consequently the cases are not binding on our DACH Division. These court cases as well as another comparable case (BFH decision dated July 4, 2013 (V R 8/10)) have been adopted by the German tax authorities in a tax decree issued by the German Federal Ministry of Finance dated December 2, 2015 and in updated VAT Guidelines (Section 2.4 para. 1, para. 7 and para. 8 German VAT Guidelines).

The VAT Guidelines includes the possibility to apply for previous guidance from the German tax authorities with respect to NPLs acquired before July 1, 2016 or, in the case of revolving contracts, before January 1, 2019, i.e., that the purchase of NPLs still qualifies as a VAT-taxable service allowing for the deduction of input VAT for the respective historical periods. As the DACH Division did not entirely treat the purchases of NPLs as subject to VAT according to the MKG jurisprudence, in some cases no VAT was collected and paid to the tax authorities, in the period for the year ended December 31, 2004 to June 30, 2017, the DACH Division built up an accrual of €8.2 million (including interest).

Any VAT payments could have a material adverse effect on our margins and results of operations and financial condition. In addition, changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities may also have a material adverse effect on our business.

Failure to register under the Investment Company Act may result in a material adverse effect on the Issuer.

The Issuer has not been and will not be registered with the SEC as an investment company pursuant to the Investment Company Act in reliance on the exemption from registration provided by Section 3(c)(7) of the Investment Company Act. No action positions are available for non-U.S. obligors (a) whose outstanding securities owned by U.S. persons are owned exclusively by Qualified Purchasers and (b) which do not make a public offering of their securities in the United States. Accordingly, investors in the Notes will not be accorded the protections of the Investment Company Act. Counsel for the Issuer will opine, in connection with the sale of the Notes, that the Issuer is not at such time an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, the accuracy and completeness of all representations and warranties made or deemed to be made by investors in the Notes). No opinion or no-action position has been requested of the SEC.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but has failed, to register in violation of the Investment Company Act, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors could sue the Issuer and recover any damages caused by the violation of the registration requirement of the Investment Company Act; and (iii) any contract to which the Issuer is party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer be subjected to any or all of the foregoing, there would be a material adverse effect on the Issuer.

If the Issuer determines that a purchaser of the Notes that is a U.S. person was not a Qualified Purchaser at the time of its acquisition of the Notes, the Issuer will have the right, at its option, to require such person to dispose of its Notes to a person or entity that is qualified to hold the Notes immediately upon receipt of a notice from the Issuer that the relevant purchaser was not a Qualified Purchaser.

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, Germany and abroad, as well as war and threats of war or actual conflicts involving the UK, Germany or other countries, may dramatically and adversely impact the economies of the countries in which we operate and cause consumer confidence and spending to decrease. Any of these occurrences could affect our ability to collect our receivables and result in a material adverse effect on our financial condition, financial returns and results of operation.

The results of the UK's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

We are a European company incorporated in Luxembourg with business operations in the UK, Germany, Austria, Switzerland and Croatia. Following the British public referendum to leave the EU on June 23, 2016, the government of the UK has served notice under Article 50 of the Treaty of the European Union, pursuant to which the UK has a two year period to agree to the terms of its withdrawal. The outcome of the referendum and the terms of withdrawal have created significant uncertainty about the future relationship between the UK and the European Union, and has given rise to calls for certain regions within the UK to preserve their place in the European Union by separating from the UK. The result of the UK general election on June 8, 2017 has added to the uncertainty around the terms of the UK's withdrawal from the European Union. Depending on the final terms of Brexit, the UK could lose access to the single European Union market, which could result, among other things, in the disruption of the free movement of goods, services and people between the UK and the European Union, undermine bilateral cooperation in key geographic areas and significantly disrupt trade between the UK and the European Union or other nations as the UK pursues independent trade relations. This could have an impact on the general and economic conditions in the UK, which will directly adversely affect the financial condition of our consumers.

These developments have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. In addition, Brexit may lead to a down-turn in the UK or other European economies and could lead to lower access to European markets in general. Any reduction in our consumers' willingness or ability to pay their debts due to Brexit-related changes in the economic environments of the UK and Germany could materially affect our revenue and our ability to perform debt collection in a manner consistent with our past practice. See ''*—Changes in the economic environment, in particular in the UK and Germany, may have a material adverse effect on our financial condition, financial returns and results of operations*.'' In addition, any fundamental shift in the macroeconomic environment in the UK or the parts of Europe in which we operate could adversely affect the accuracy of our predictions regarding the expected returns from the debt portfolios we purchase and service. See ''*—The statistical models and data analysis tools that we use in our business may prove to be inaccurate, we may not achieve anticipated levels of return and we may be unable to appropriately identify and address underperforming portfolios*.''

Lack of clarity about future UK laws and regulations as the UK determines which European Union laws to replace or replicate in the event of a withdrawal, including financial laws and regulations, data privacy and collection laws and regulations and tax and free trade agreements, may increase costs associated with operating in either or both of the UK and Germany, depress economic activity and restrict our access to capital. In particular, our UK Division is subject to a number of EU laws and regulations governing its operations, and uncertainty regarding the future applicability of these regulations may increase our compliance costs. Additionally, any substantial change in the regulations applicable to our UK business could jeopardize our ability to continue to operate in a manner consistent with our past practice. See ''*—We are subject to UK, German and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business—Regulations affecting Our UK Division*.''

If the UK and the European Union are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access between the UK and other EU member states or among the European economic area overall could be diminished or eliminated. To the extent that such changes increase the costs or difficulties associated with operating in both the UK and Germany, they could adversely affect our financial condition, financial returns or results of operations.

Risks Related to Our Financial Profile

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 Note Guarantees.

We are highly leveraged. As of June 30, 2017, on a *pro forma* basis after giving effect to the Transactions, including the Offering and the application of the proceeds therefrom, we would have had total financial indebtedness of £1,480.6 million including indebtedness under the Notes and the Existing Notes. See ''*Capitalization*.''

The degree to which we will be leveraged following the issuance of the Notes 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;
- making us vulnerable to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund new debt portfolio purchases, 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 substantial leverage, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our business.

The terms of the Indenture and the Existing Indentures will permit the Issuer and its restricted subsidiaries to incur substantial additional indebtedness, including in respect of committed borrowings of up to €200.0 million under the Amended and Restated RCF Agreement (which may be further increased by the greater of an additional €25.0 million and 7.9% of the Group's 84-month ERC) and additional Notes by the Issuer. The new debt that we incur in the future, including for example in connection with acquisitions, may rank *pari passu* with, be structurally senior to, or be secured by assets that do not form part of the Collateral for, the Notes and the Note Guarantees. Any such additional indebtedness could mature prior to the Notes. We may also enter into new qualified receivables financing programs, pursuant to which we would pledge receivables that either do not form part of the Collateral or would be released from the Collateral in connection with any such program. Although the Existing Indentures and the Amended and Restated RCF Agreement contain, and the Indenture will contain, restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the Existing Indentures and the Amended and Restated RCF Agreement do not, and the Indenture will not, prevent us from incurring obligations that do not constitute indebtedness under those agreements. Furthermore, if we are able to designate some of our restricted subsidiaries under the Amended and Restated RCF Agreement, the Existing Indentures and the Indenture as unrestricted subsidiaries, those unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in the Indenture and engage in other activities in which Restricted Subsidiaries may not engage. See ''*Description of the Notes*,'' ''*Description of Certain Financing Arrangements—The Existing Sterling Notes,*'' ''*Description of Certain Financing Arrangements—The Existing Euro Notes,*'' and ''*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*.'' If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase.

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

The Indenture will restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of such entity;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to such entity;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interests for the benefit of the holders of the Notes.

All of these limitations will be subject to significant exceptions and qualifications. See ''*Description of the Notes—Certain Covenants.*'' Despite these exceptions and qualifications, the covenants to which we are 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.

In addition, we are subject to the affirmative and negative covenants in the Amended and Restated RCF Agreement and to the negative covenants contained in the Existing Indentures, which negative covenants, in both instances, are substantially similar to the covenants that will be included in the Indenture.

A breach of any of those covenants or the occurrence of certain specified events will, subject to applicable cure periods and other limitations, result in an event of default under the Amended and Restated RCF Agreement. Upon the occurrence of any event of default under the Amended and Restated RCF Agreement, the Majority Lenders (being, subject to certain limitations, lenders under the Amended and Restated RCF Agreement whose commitments thereunder aggregate at least 66⅔% of the total commitments thereunder) could, while such event of default remains unremedied or unwaived, cancel the availability of the Amended and Restated RCF Agreement and elect to declare all amounts outstanding under the Amended and Restated RCF Agreement, together with accrued interest, immediately due and payable. In addition, a default or event of default under the Amended and Restated RCF Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Existing Indentures and the Indenture. If our creditors, including the creditors under the Amended and Restated RCF Agreement and the Existing Notes accelerate the payment of amounts owing to them under such other debt instruments, 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 security interests granted to them to secure repayment of those amounts.

We may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to meet our obligations under our indebtedness, which may not be successful.

We have, and after the issuance of the Notes, we will have significant debt service obligations. Our ability to make principal or interest payments when due on our indebtedness, including our drawings under the Revolving Credit Facility and our obligations under the Existing Notes and the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, many of which are beyond our control. See ''*Risk Factors—Risks Related to Our Business and Industry*.''

Our Revolving Credit Facility will mature in 2021, the Existing 2022 Euro Notes and the Existing 2022 Sterling Notes will mature in 2022, the Existing Senior Notes will mature in 2023 and the Notes offered hereby will mature in 2023. See ''*Description of Certain Financing Arrangements*'' and ''*Description of the Notes.*'' At the maturity of loans outstanding under the Revolving Credit Facility and of the obligations under the Existing Notes, the Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business obligations, activities or capital expenditures, sell assets, raise additional debt or equity financing in amounts that could be substantial, or restructure or refinance all or a portion of our debt, including the Notes, on or before maturity. We cannot guarantee that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would secure sufficient funds to meet our obligations under our indebtedness.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time as well as on many factors outside of our control, including then prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants. The terms of existing or future debt instruments and the Indenture, the Existing Indentures and the Amended and Restated RCF Agreement may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service our indebtedness we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the terms of the Indenture, the Existing Indentures and the Amended and Restated RCF Agreement, will restrict our ability to transfer or sell assets and the use of proceeds from any such disposal. We may not be able to carry out certain disposals or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

Developments concerning the potential withdrawal of the UK from the European Union could adversely affect our ability to service our current debt and our ability to incur indebtedness in the future.

The value of the pound sterling against the U.S. dollar and the euro declined in the months following Brexit and there can be no assurance that further Brexit-related declines in the value of the pound will not occur in the months or years to come. A process of negotiations will determine the future terms of the UK's relationship with the European Union. It is unclear how the withdrawal of the UK from the European Union will affect the EU single market and other important financial and trade relationships and how any of these changes will affect us. See ''*—The results of the UK's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business*.''

In particular, Brexit-related declines in the value of the pound and related issues could have adverse consequences for us with respect to our outstanding debt obligations, which could adversely affect our financial condition. As of June 30, 2017, on a *pro forma* basis after giving effect to the Transactions, including the Offering and the application of the proceeds therefrom, we would have had outstanding pound sterling denominated debt obligations of £795 million and outstanding euro denominated debt obligations of €780 million. To the extent we rely on our revenue in sterling to service our euro-denominated indebtedness, further declines in the value of the pound 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. In addition, we report our financial results for the Group in pounds sterling. Accordingly, we must translate our euro-denominated indebtedness into pound-equivalent amounts in order to prepare our quarterly and yearly financial reports, and further declines in the value of the pound relative to the euro may increase the pound sterling-denominated value of the debt we disclose in these reports. See ''*—Fluctuations in currency exchange rates may have a negative impact on our results of operations presented in euro*.''

Furthermore, the Existing Indentures and the Amended and Restated RCF Agreement contain and the Indenture will contain, covenants restricting our and our subsidiaries' corporate activities. See ''*—Risks Related to Our Financial Profile—We are subject to restrictive debt covenants that may limit our ability to finance future operations and capital needs and to pursue business opportunities and activities.*'' Certain of these covenants impose limitations in amounts denominated in pound sterling, including the covenant limiting the amount of additional indebtedness we or our subsidiaries may incur. If future debt is incurred in a currency other than pound sterling for purposes other than refinancing, the Indenture will require, for the purpose of determining compliance with these restrictions, that we convert the principal amount of such debt into a pound-sterling equivalent value based upon the relevant exchange rate then in effect. As such, if the pound sterling were to continue to decrease in value, the amount of debt we could incur under these restrictions would effectively decrease for all debt denominated in a currency other than pounds sterling, and such limitations on our ability to incur additional debt in euro and other currencies may adversely affect our ability to finance our operations and conduct our day-to-day business.

Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely, could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations.

Financial markets and the supply of credit may continue to be negatively impacted by ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Ireland, Italy, Portugal and Spain), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. Governments and regulators have implemented austerity programs and other remedial measures to respond to this issue and stabilize the financial system, but the actual impact of such programs and measures are difficult to predict.

If the Eurozone debt crisis is not resolved, it is possible that one or more countries may default on their debt obligations and/or cease using the euro and re-establish their own national currency or that the Eurozone may collapse. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation, which may have a material adverse effect on our business, results of operations and financial condition, especially as our operations are primarily in Europe. In addition, the departure of one or more countries from the Eurozone may lead to the imposition of, *inter alia*, exchange rate control laws.

Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro such as supply contracts would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect our trading environment and the value of the Notes, and could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations, which could adversely affect our financial condition.

Furthermore, the Existing Indenture and the Amended and Restated RCF Agreement contain and the Indenture will contain, covenants restricting our and our subsidiaries' corporate activities. See ''*—Risks Related to Our Financial Profile—We are subject to restrictive debt covenants that may limit our ability to finance future operations and capital needs and to pursue business opportunities and activities*.'' Certain such covenants impose limitations based on euro amounts (e.g., the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

Risks Related to the Notes

Holders of the Notes will not control certain decisions regarding the Collateral and other distressed disposals.

As from the Issue Date, the Notes and the Note Guarantees will be secured on a first-priority basis by the same Collateral securing the obligations under (i) the Amended and Restated RCF Agreement and any outstanding hedging liabilities that are permitted to be secured by such Collateral, on a super priority basis, (ii) the Existing Senior Secured Notes, on a *pari passu* basis, and (iii) the Existing Senior Notes, (only with respect to the capital stock and beneficiary units of the Issuer as well as intercompany receivables from the Issuer) on a second-priority basis. In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral on a *pari passu* or on a super priority basis with the Notes.

Pursuant to the Intercreditor Agreement, lenders under the Amended and Restated RCF Agreement, providers of certain additional super senior indebtedness, certain hedging obligations, the Security Agent, any receiver and certain creditor representatives, including the Trustee, are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale and all amounts received by the Security Agent pursuant to the turnover provisions of the Intercreditor Agreement in priority to the Notes. As such, in the event of a foreclosure of the Collateral or any other distressed disposal, you may not be able to recover on the Collateral if the aggregate of the then outstanding claims under super senior indebtedness are greater than or equal to the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor and all amounts received by the Security Agent pursuant to the turnover provisions of the Intercreditor Agreement will, after all obligations under super senior indebtedness have been discharged from such recoveries, be applied *pro rata* in repayment of the Existing Senior Secured Notes, any other obligations secured by the Collateral which are permitted to rank *pari passu* with the Notes and certain non-priority hedging obligations.

The Intercreditor Agreement provides that a common Security Agent, which will also serve as the security agent for the lenders under the Amended and Restated RCF Agreement, the hedging obligations which are permitted to be secured on the Collateral, the holders of the Existing Notes, the holders of the Notes and the creditors of any additional debt secured by the Collateral permitted to be incurred by the Amended and Restated RCF Agreement, the Existing Indentures and the Indenture, will act only as provided for in the Intercreditor Agreement and the security documents. The Intercreditor Agreement also 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 (as defined below under—''*Description of Certain Financing Arrangements—Intercreditor Agreement*'') that comprises (i) creditors holding in aggregate more than 66⅔% of the aggregate commitments under the Amended and Restated RCF Agreement, the aggregate commitments under any super senior Credit Facility and the aggregate of hedging exposures under certain priority hedging obligations (the ''**Majority Super Senior Creditors**'') and (ii) creditors holding in aggregate more than 50% of the outstanding principal amount of the Notes, the Existing Senior Secured Notes and the outstanding principal amount of any indebtedness ranking *pari passu* with the Notes (the ''**Majority Senior Secured Creditors**'') (in each case, except for any hedge counterparties, acting through their respective creditor representative). If, however, before the discharge of all super senior obligations, the Security Agent has received conflicting enforcement instructions from the creditor representatives (and for these purposes, silence is deemed to be a conflicting instruction) then, to the extent the instructions from the Majority Senior Secured Creditors (to the extent given) comply with the initial consultation requirements and the security enforcement principles set forth in the Intercreditor Agreement (one of which states that the primary and overriding objective of an enforcement of security over the Collateral is the maximization, so far as is consistent with prompt and expeditious realization of value, of recoveries by the Super Senior Creditors and the Senior Secured Creditors (each as defined below under—''*Description of Certain Financing Arrangements—Intercreditor Agreement*'')), the Security Agent will comply with the instructions from the Majority Senior Secured Creditors, *provided* that if the super senior liabilities have not been fully discharged within six months, or no enforcement action has occurred within three months of the date on which the first such enforcement instructions were issued, then the instructions of the Majority Super Senior Creditors will prevail. To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Notes and the Existing Senior Secured Notes, the voting interest of the holders of the Notes in an instructing group will be diluted commensurately with the amount of indebtedness we incur.

The lenders under our super senior indebtedness may have interests that are different from the interests of holders of the Notes and the Existing Senior Secured Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies in respect of the Collateral at a time when it would be disadvantageous for the holders of the Notes and the Existing Senior Secured Notes to do so.

In addition, if the Security Agent sells Collateral comprising the shares of the Issuer, the shares of any holding company (in the case of any future grant of share security at such levels) or the shares of any subsidiary of the Issuer as a result of an enforcement action or other distressed disposal in accordance with the Intercreditor Agreement, claims under the Notes and the Note Guarantees, as applicable, against, and the liens over any other assets of, such entities and any subsidiaries of such entity securing the Notes and Note Guarantees may be released. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement*,'' ''*Description of the Notes—The Note Guarantees—Note Guarantees Release*'' and ''*Description of the Notes—Security—Release of Liens*.''

Claims of our super senior creditors will have priority with respect to their security over the claims of holders of the Notes, to the extent of the value of the assets securing such indebtedness.

Claims of our super senior creditors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, each Note Guarantee will be effectively subordinated to any super senior indebtedness (including obligations with respect to the Revolving Credit Facility and certain hedging obligations) to the extent of the value of the assets securing such indebtedness. In the event of any enforcement over Collateral that secures the Notes and pursuant to certain other turnover provisions under the Intercreditor Agreement, holders of super senior indebtedness will have prior claims to such Collateral.

Under the terms of the Intercreditor Agreement, if, for any reason, obligations owed to any super senior and senior secured creditors remain unpaid after enforcement of the Collateral and the resulting losses are not borne by the super senior creditors and the senior secured creditors in the proportion corresponding to the total liabilities owed to the super senior creditors and the senior secured creditors, respectively, then the applicable creditors will be required to make payments among themselves to achieve the appropriate proportion in accordance with the order of priority contemplated by the Intercreditor Agreement. As a result, the holders of the Notes, together with the holders of the Existing Senior Secured Notes and any creditors under any other Senior Secured Debt, on a collective basis, may need to make payments to the super senior creditors to rectify any disproportionate recovery in an enforcement scenario.

The Collateral remaining after repayment of all super senior indebtedness may not be sufficient to repay all amounts owing in respect of any applicable Note Guarantee. To the extent that the Notes are not repaid in full from the proceeds of an enforcement of the Collateral securing the Notes, the holders of the Notes will participate ratably with all holders of the Existing Senior Secured Notes, creditors of other indebtedness that is permitted to rank *pari passu* with the Notes, creditors of any indebtedness ranking junior to the Notes, and potentially with all other general creditors, depending upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant Guarantor.

As of June 30, 2017, on a *pro forma* basis to reflect the Offering and the uses of proceeds therefrom, we would have had an aggregate principal amount of £1,480.6 million of financial liabilities outstanding (excluding local facilities) secured by liens with a prior right to recovery to the liens securing the Notes, and up to €200.0 million would have been available for additional borrowings under the Revolving Credit Facility on a committed basis. We may also enter into further hedging obligations or other indebtedness entitled to be repaid in priority to the Notes, or issue further indebtedness which will be entitled to rank *pari passu* with the Notes in right and priority of payment and which will be entitled to share in the Collateral with the Notes on a *pari passu* basis. In the event that any such debt is further issued, the creditor voting rights of the holders of the Notes will be diluted proportionately to the amount of indebtedness incurred which will be entitled to rank *pari passu* with the Notes.

The ability of holders of the Notes to recover under the Collateral may be limited.

The Collateral may not be liquid, and its value to other parties may be less than its value to us. Likewise, we cannot assure the holders of the Notes that there will be a market for the Collateral or that, if such market does exist, there will not be substantial delays in their liquidation. The shares of the Issuer and its Guarantors may also have limited value in the event of a bankruptcy, insolvency or other similar proceeding in relation to the Issuer or any of its Guarantors because all of the obligations of such Issuer or Guarantor (subject to the release mechanism in the Intercreditor Agreement) must be satisfied prior to distribution to such entity's equity holders. As a result, the holders of the Notes may not recover anything of value in the case of an enforcement of the pledges of the shares in the Issuer or the Guarantors. In addition, the value of this Collateral may fluctuate over time.

Furthermore, each security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability. See ''*Risks Related to Our Structure and the Financing—Each Note Guarantee and security interest will be* *subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*.''

Additionally, holders of the Notes may not be able to recover on the Collateral that is also pledged as security for any super senior indebtedness because the creditors in respect thereof will have a prior right to recovery on all proceeds realized from any enforcement of such Collateral and any distressed disposal with respect to such Collateral, and the holders of the Notes will need to share any remaining proceeds from such enforcement with any other secured creditor ranking *pari passu* with the Notes. See ''*—Holders of the Notes will not control certain decisions regarding the Collateral and other distressed disposals*'' and ''*Claims of our super senior creditors will have priority with respect to their security over the claims of holders of the Notes, to the extent of the value of the assets securing such indebtedness*.''

The Collateral may not be sufficient to secure the obligations under the Notes.

On or about the Issue Date, the Notes and the Note Guarantees will be secured by security interests in the Collateral described in this Offering Memorandum, which Collateral also secures the obligations under the Amended and Restated RCF Agreement, the Existing Indentures and certain hedging obligations, if any. Upon a refinancing of the Amended and Restated RCF Agreement, or if the lenders under the Amended and Restated RCF Agreement consent to an increase of the commitments under the Amended and Restated RCF Agreement, or if we exercise our right to incur additional priority hedging arrangements, the amount that will benefit from super-senior interests in the Collateral may be increased, subject to the limits imposed under the Indenture. The Collateral may also secure additional debt ranking *pari passu* with the Notes (including non-priority hedging arrangements) to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. The rights of the holders of the Notes to the Collateral may therefore be diluted by any increase in the super-priority debt secured by the Collateral, an increase in obligations secured on a *pari passu* basis with the Notes, or a reduction of the Collateral securing the Notes.

The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which our operations are located and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in our liquidation. In addition, the share pledges over the shares of an entity may be of no value if the applicable entity is subject to an insolvency or bankruptcy proceeding. Furthermore, certain of our contracts include a change of control clause, which may be triggered by the enforcement of Collateral and may limit the value of the Collateral. The Collateral is located in Germany, England and Wales, Jersey and Luxembourg. The multi-jurisdictional nature of any foreclosure on the Collateral may limit the realizable value of such Collateral. For example, the bankruptcy, insolvency, administrative and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

The granting of the security interests in connection with the issuance of the Notes, or 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 challenged in accordance with the laws applicable in certain jurisdictions.

The granting of security interests to secure the Notes and the Note Guarantees may create hardening periods for such security interests in certain jurisdictions (subject, for Luxembourg, to the provisions of the Financial Collateral Law 2005 (as defined below). See ''*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*.'' The granting of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen such hardening periods, in particular 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 transfer of Collateral within the Group and the implementation of certain corporate reorganizations. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted or perfected.

In each case, if the security interest granted or recreated were to be enforced before the end of the hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See ''*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*.'' The same rights will apply following the issuance of the Notes in connection with the accession of any other subsidiaries as additional Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of noteholders. Please see ''*Description of the Notes—Security.*''

There are circumstances other than repayment or discharge of the Notes under which the Note Guarantees and the Collateral securing the Notes and Note Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, (i) the Collateral securing the Notes and the Note Guarantees may be released automatically, including sales of accounts receivable of our UK Division to third parties in connection with the establishment of a qualified receivables financing and in connection with certain corporate reorganizations, and (ii) the Note Guarantees may be released automatically, including sales to third parties and in connection with certain corporate reorganizations. See ''*Description of the Notes—The Note Guarantees—Releases*'' and ''*Description of the Notes—Security—Release of Liens.*''

Additionally, even though the holders of the Notes, the Existing Senior Secured Notes will share in the Collateral securing the Notes, the Existing Senior Secured Notes with the creditors under the Amended and Restated RCF Agreement, the creditors under the Amended and Restated RCF Agreement will receive the proceeds of the enforcement of the Collateral in priority to the holders of the Notes and, under certain circumstances, the creditors under the Amended and Restated RCF Agreement and certain of our hedging arrangements will control enforcement actions with respect to the Collateral through the Security Agent, whether or not the holders of the Notes agree with those actions. See ''*—Risks Related to the Notes—Holders of the Notes will not control certain decisions regarding the Collateral and other distressed disposals*'' and ''*Description of the Notes—Security—Enforcement of Security Interests*.''

In addition, the Note Guarantees and security interests will be subject to release upon a distressed disposal as contemplated under the Intercreditor Agreement. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement*'' and ''*Description of the Notes*.''

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 and 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 ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or characterization under the laws of certain jurisdictions.

The security interests granted in favor of the Security Agent will be subject to practical problems generally associated with the realization of security interests in collateral in certain jurisdictions. For example, under Luxembourg and German law, the enforcement of share pledges, whether by means of a sale or an appropriation, is subject to certain specific requirements. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a sale of, or foreclosure on, such assets. Accordingly, the Security Agent may not have the ability to sell or foreclose upon those assets, and the value of the Collateral may significantly decrease.

Furthermore, T-Shares in certain of our subsidiaries are held by New Luxco, which is not a subsidiary of the Issuer or the Parent. To obtain control of 100% of the share capital of or instruments issued by entities that have transferred or issued T-Shares to New Luxco, the Security Agent would be required to enforce such pledges of T-Shares separately from the pledges provided by the Issuer over the shares of Lowell Holding and Simon Holdco, which are the direct and indirect parent entities of the remaining Group entities. Likewise, the Security Agent would be required to enforce the pledge over New Luxco's T-Share in the Issuer separately from the pledge provided by the Parent over its shares in the Issuer. Enforcement of multiple security documents could cause delays, increase costs and hinder the holders of the Notes' ability to derive full benefit from the applicable Collateral.

In addition, the Issuer and the Guarantors will have control over certain of the Collateral, and the operation of the business or the sale of particular assets, including for example the sale of accounts receivable into a securitization program, could reduce the pool of assets securing the Notes.

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 our obligations under the Notes and the obligations of the Guarantors under the Note 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 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, which will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Collateral.

The granting of security interests in favor of a foreign security agent (acting for and on behalf of third-party beneficiaries) will be recognized under Luxembourg law, (i) to the extent that the designation of such security agent is valid under the law governing its appointment and (ii) subject to possible restrictions depending on the type of the security interests granted. Generally, according to article 2(4) of the Luxembourg Act dated August 5, 2005, as amended, concerning financial collateral arrangements (the ''**Financial Collateral Law 2005**''), a security interest which constitutes a financial collateral arrangement (in accordance with the provisions of the Financial Collateral Law 2005) may be provided in favor of a person acting for and on behalf of the beneficiary(ies) of such security interest(s), a fiduciary or a trustee in order to secure the claims of third-party beneficiaries, whether present or future, *provided* that these third-party beneficiaries are determined or may be determined. Without prejudice to their obligations *vis-à-vis* third-party beneficiaries of the security, persons acting on behalf of beneficiaries of the security interest(s), the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of the security interest(s) provided under the Financial Collateral Law 2005.

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, including, among others, Germany, 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 (the ''**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 Note 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 been tested in the courts of these jurisdictions, including Germany, 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 Note Guarantees.

Finally, the provision of Note Guarantees and execution of the Collateral will be subject to certain agreed security principles that could relieve certain Guarantors or security providers of the obligation to provide guarantees and/or grant security interests in assets otherwise expected to form part of the Collateral, which could have a material adverse impact on the credit support available to you in connection with your investment in the Notes.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Note Guarantees have not been registered under, and we are not obliged to register the Notes or the Note Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. The Issuer has not been and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. No sale, assignment, participation, pledge or transfer of the Notes may be effected if, among other things, it would require the Issuer or any of its officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. See ''*Transfer Restrictions*.'' We have not agreed to or otherwise undertaken to register the Notes or the Note Guarantees, and do not have any intention to do so.

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.

Unless and until the Notes are in definitive registered form, or definitive registered notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to Citibank, N.A., London Branch, as Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the 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 as a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

Similarly, upon the occurrence of an event of default under either Indenture, unless and until the applicable definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

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 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 for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF Market, 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 Luxembourg Stock 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.

The Notes and drawings under the Revolving Credit Facility will bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

The Notes and drawings under the Revolving Credit Facility will, and future indebtedness that we may incur could, bear interest at floating rates of interest *per annum* equal to EURIBOR (or in relation to advances in pound sterling, LIBOR) as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. Although we may enter into certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow. Moreover, on July 27, 2017, the UK Financial Conduct Authority (''**FCA**'') announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the ''**FCA Announcement**''). It is not possible to predict the effect of the FCA Announcement, any changes in the methods pursuant to which the LIBOR rates are determined and any other reforms to LIBOR, including to the rules promulgated by the FCA in relation thereto, that will be enacted in the UK and elsewhere, which may adversely affect the trading market for LIBOR based securities, including the Notes, or result in the phasing out of LIBOR as a reference rate for securities. In addition, any changes announced by the FCA (including the FCA Announcement), ICE Benchmark Administration Limited as independent administrator of LIBOR or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. If that were to occur, or similar methods were to be adopted in relation to EURIBOR rates, the level of interest payments on the Notes may be affected.

The Volcker Rule may negatively affect the liquidity and the value of the Notes.

The Volcker Rule generally prohibits certain banking entities (including the Initial Purchasers and their affiliates) from engaging in proprietary trading or from acquiring or retaining an ownership interest in, or sponsoring or having certain relationships with, certain private funds (referred to as ''covered funds''), subject to certain exclusions and exemptions. The Volcker Rule became effective on July 21, 2012, and the relevant U.S. federal agencies adopted final regulations to implement the Volcker Rule on December 10, 2013. The Federal Reserve issued an order giving banking entities until July 21, 2015 to bring any existing activities and investments into full conformance, subject to up to two one-year extensions granted at the discretion of the Federal Reserve upon a consideration of a variety of factors, including a determination that an extension would not be detrimental to the public interest. On

December 18, 2014, the Federal Reserve granted a one-year extension of the conformance period for legacy covered fund interests (*i.e.*, those acquired on or before December 31, 2013), and announced its intention to grant a further one-year extension until July 21, 2017. Only covered fund interests in place as of December 31, 2013 would be eligible for such additional conformance period extensions. Banking entities are required to develop and implement a conformance plan to terminate prohibited activities and divest impermissible investments by the end of the conformance period.

The Volcker Rule includes as a ''covered fund'' any entity that would be an investment company but for the exemptions provided by Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. Therefore, as the Issuer is relying on Section 3(c)(7) as an exemption to the Investment Company Act, the Issuer is considered to be a covered fund. As a result, banking entities that are subject to the Volcker Rule may be prohibited from, among other things, acquiring or retaining an ''ownership interest'' in the Issuer as a covered fund unless it is able to rely on an applicable exclusion or exemption.

If the Issuer does not qualify for an exclusion or exemption to the Volcker Rule, there would be limitations on the ability of banking entities to purchase or retain the Notes as they may be deemed to be ''ownership interests'' for purposes of the Volcker Rule. Depending on market conditions, this could significantly and negatively affect the liquidity and market value of the Notes. Thus, it is important that, although the Volcker Rule provides limited exclusions and exemptions to its prohibitions, each investor in the Notes make its own determination as to whether it is a covered banking entity or otherwise subject to the Volcker Rule, whether any exclusion or exemption might be applicable to an investment in the Notes by such investor, whether its investment in the Notes would or could in the future be restricted or prohibited under the Volcker Rule, whether any extension of the Volcker Rule conformance period would be applicable to such investor's investment in the Notes, and the potential impact of the Volcker Rule on its investment, any liquidity in connection therewith and on its portfolio generally. The Volcker Rule and interpretations thereunder are still uncertain, may restrict or discourage the acquisition of Notes by covered banking entities, and may adversely affect the liquidity of the Notes. Investors in the Notes are responsible for analyzing their own regulatory position and neither the Issuer nor 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 regarding the treatment of the Issuer under the Volcker Rule, or to such investor's investment in the Notes on the Issue Date or at any time in the future.

Ownership in respect of the Notes will be in registered form.

The Registrar will keep a register in respect of the Notes in which the Registrar will enter the names and addresses of the holders of the Notes, the particulars of the Notes held by such holders and all transfers and redemptions of such Notes (the ''**Register**'').

An additional register will be kept by the Issuer at its registered office (the ''**Issuer Register**'') in accordance with article 84 of the Luxembourg Law of 10 August 1915 on commercial companies, as amended (the ''**Companies Law 1915**'') referring to article 40 of the Companies Law 1915. Ownership in respect of shares (and by extension also debt securities, such as the Notes) which are issued by a Luxembourg company in registered form is, according to the Companies Law 1915, established by the relevant registration (*inscription*) in the register thereof kept at the relevant Luxembourg company's registered office—in this instance, the Issuer Register. The Registrar will undertake, pursuant to the Indenture, to notify the Issuer forthwith of any changes made to the Register to enable it to update its Issuer Register. Accordingly, the registrations in the Register should, in principle, match the recordings in the Issuer Register. However, there may be a delay in updating an Issuer Register and discrepancies in recordings may arise. In the event of inconsistency between the Register and the Issuer Register, the Issuer Register shall prevail for the purposes of Luxembourg law (in the absence of manifest error).

The Indenture will provide that, in the case of inconsistencies between the Issuer Register and the Register, the Issuer Register shall prevail. See *''Description of the Notes—Principal, Maturity and Interest—Paying Agent and Registrar for the Notes.''* It is generally held that the registrations made in the Issuer Register would constitute a means to prove ownership in respect of the Notes. However, Luxembourg case law appears to admit that such registrations in the Issuer Register do not create an irrebuttable presumption (*présomption irréfragable*) of title to the Notes and indicates that other forms of evidence (such as the registrations made in the Register) could potentially also serve as means to prove ownership. As a result, there can be no assurance that, in the event of discrepancies between the Register and the Issuer Register, a Luxembourg court will not take into account the Register and its contents if the question of the ownership of the Notes is brought before it and rule that the Register prevails over the Issuer Register. Certificates representing the Notes in registered form may be issued but they do not confer title to the Notes. Such certificates would also, in principle, not constitute conclusive evidence to prove ownership in respect of the Notes.

Risks Related to Our Structure and the Financing

The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the Notes and Note Guarantees.

The Issuer is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. As a result, the Issuer depends upon the receipt of sufficient funds from its subsidiaries to meet its obligations. We intend to provide funds to the Issuer in order to meet the obligations on the Notes through a combination of dividends and interest payments on intragroup loans and loan notes. The obligations under intragroup loans and loan notes will be junior obligations and will be subordinated in right of payment to all existing and future senior and senior subordinated indebtedness of the Issuer, including obligations under, or guarantees of obligations under, the Amended and Restated RCF Agreement, the Existing Notes and the Notes.

The amounts of dividends and distributions available to the Issuer will depend on the profitability and cash flow of its subsidiaries and the ability of those subsidiaries to issue dividends under applicable law. The subsidiaries of the Issuer, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuer to make payments on its indebtedness, including the Notes and the Note Guarantees.

Interest under the Notes may be serviced in part through drawings under the Amended and Restated RCF Agreement, to the extent sufficient cash is not available from the operations of the Issuer's subsidiaries. However, our ability to borrow under the Amended and Restated RCF Agreement is subject to our compliance with leverage thresholds or other financial or contractual requirements. In addition, the restrictions in the Existing Indentures and the Indenture may restrict our ability to incur indebtedness to service interest payments.

Additionally, various agreements governing our debt may restrict, and in some cases, may actually prevent the ability of the subsidiaries to move cash within their restricted group. Such restrictions include those created by the Amended and Restated RCF Agreement, the Existing Indentures and the Intercreditor Agreement, which limit payments of principal on the Notes prior to their stated maturity. See ''*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*'' and ''*Description of Certain Financing Arrangements—Intercreditor Agreement*.'' Applicable tax laws may also subject such payments to further taxation while other applicable law may limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments.

The inability to transfer cash among entities within their respective consolidated groups may mean that, even though the entities, in aggregate, may have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity in their restricted group to another entity in their restricted group in order to make payments to the entity owing the obligations.

The Notes and each of the Note Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of non-guarantor subsidiaries.

Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of such subsidiary, will have priority with respect to the assets and earnings of such subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Notes and the Note Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and each Note Guarantee will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the non-guarantor subsidiaries of the Issuer or Guarantor.

The interests of our Principal Shareholder may conflict with the interests of the holders of Notes.

The interests of our Principal Shareholder may, in certain circumstances, conflict with your interests as a holder of Notes. Permira Funds and its affiliates control the Issuer and the Parent. As a result, it has, and will continue to have, the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations. Our Principal Shareholder may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, will enhance its equity investments, although such transactions might involve risks to you as a holder of Notes. For example, our Principal Shareholder could vote to cause us to incur additional indebtedness, to sell certain material assets or pay dividends, in each case so long as the Indenture and the Existing Indentures so permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate sales, each of which could adversely affect you as a holder of Notes. In addition, our Principal Shareholder may, in the future, own businesses that directly compete with ours or do business with us.

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under certain applicable law, a security interest in certain tangible and intangible assets can be properly perfected, and its priority retained, only through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these security interests. In addition, certain applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified. Absent perfection, the Security Agent, on behalf of the holders of the Notes, may have difficulty enforcing or be entirely unable to enforce rights in the Collateral in competition with third parties, including a trustee in bankruptcy and other creditors that claim a security interest in the same Collateral. See ''*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Luxembourg*'' and ''*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Germany*.''

Each Note Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.

Each Note Guarantee will provide the holders of the Notes with a direct claim against the relevant Guarantor. In addition, the Issuer and the Guarantors will secure the payment of the Notes by granting security under the relevant security documents. However, each security interest granted under a security document will be limited in scope to the value of the relevant assets expressed to be subject to that security interest and the Indenture will provide that each Note Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor, without rendering the relevant Note Guarantee/security interest voidable or otherwise ineffective under German, Luxembourg, English, Jersey or other applicable law or without resulting in a breach of any applicable law, and enforcement of each Note Guarantee and security document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, guarantees and security interests can be challenged (by the bankruptcy receiver or trustee, in case of bankruptcy of the relevant Guarantor, or by any of the creditors of such Guarantor outside bankruptcy), and a court could declare unenforceable against third parties (including the beneficiaries thereof) and/or void, any legal act performed by a Guarantor (including, without limitation, the granting by it of the Note Guarantees or the security interests granted under the security documents, see ''*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*'') and, if payment had already been made under a Note Guarantee or enforcement proceeds applied under a security document, require that the recipient (and possibly, subsequent transferees thereof) return the payment to the relevant Guarantor, if the court found, *inter alia*, that:

- the amount paid or payable under the relevant Note Guarantee or the enforcement proceeds under the relevant security document was in excess of the maximum amount permitted under applicable law;
- the relevant Note Guarantee or security interest under a security document was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor was insolvent when it granted the relevant Note Guarantee or security interest;
- under Luxembourg law, the relevant act was performed (*e.g.*, the Note Guarantees and/or the security interests under the security documents were granted) with the intention to defraud the creditors of, and prejudice their means of recovery against, the Guarantor, and where the recipient/beneficiary and the Guarantor were aware or should have been aware (at the time of performance of the legal act in question) that the granting by the Guarantor of the relevant Note Guarantee or security interests would prejudice the means of recovery of one or more (present or future) creditors of the Guarantor, unless the act was entered into without any consideration, in which case knowledge by the counterparty is not necessary for a challenge on grounds of fraudulent conveyance;
- under German law, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee or security interest granted by a German (direct or indirect) subsidiary of the Issuer. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero;
- the Guarantor did not receive fair consideration or reasonably equivalent value for granting the relevant Note Guarantee or security interests and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Note Guarantee or security interest; (ii) undercapitalized or became undercapitalized because of the relevant Note Guarantee or security document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; and/or
- the relevant Note Guarantees or security documents were 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 security provider.

Furthermore, the payment of dividends to the Issuer will reduce the distributable profits and reserves available to satisfy the obligations under the Note Guarantees and security documents. There can be no assurances that we will have distributable profits and reserves available to satisfy the obligations under the Note Guarantees and security documents, whether or not we pay dividends. In addition, the payment under the Note Guarantees and the enforcement of security interests under the relevant security documents may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions. See ''*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests*.''

Enforcement of the Collateral across multiple jurisdictions may be difficult.

The Collateral is governed by the laws of Luxembourg, Germany, England and Wales, Jersey and any jurisdiction applicable to any future Collateral. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Collateral will thus be subject to the laws of the applicable jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to enforce the security and to realize any recovery under the Notes and the Note Guarantees. A summary description of certain aspects of the insolvency laws of Luxembourg, Germany, England and

Wales and Jersey is set out in *''Certain Limitations on the Validity and Enforceability of the Note Guarantees and Security Interests and Insolvency Law Considerations*.''

The insolvency laws of Germany, Luxembourg, England and Wales, Jersey and other jurisdictions may not be as favorable to you as the US bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

The Issuer is incorporated under the laws of Luxembourg and the Guarantors are incorporated under the laws of Luxembourg, Germany, England and Wales and Jersey. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Germany, Luxembourg, England and Wales, Jersey or another relevant jurisdiction. The bankruptcy, insolvency, administrative and other laws of the Issuer's and the Guarantors' jurisdictions of organization or incorporation may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, 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 law should apply, adversely affect your ability to enforce your rights under the Notes and the Note Guarantees in those jurisdictions or limit any amounts that you may receive. See *''Certain Limitations on the Validity and Enforceability of the Note Guarantees and the Security Interests''* with respect to the jurisdictions mentioned above.

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture and the Existing Indentures.

Upon the occurrence of certain events constituting a ''change of control,'' the Issuer would be required to offer to repurchase all of its outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. 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 the Amended and Restated RCF Agreement, the Existing Indentures, the Indenture, the Intercreditor Agreement or our other existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, acceleration of, or an obligation to make an offer to purchase the Existing Notes or mandatorily prepay the Revolving Credit 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 its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources (see *''—The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the Notes and Note Guarantees*.'') If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek 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 expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control but we cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase its Notes would constitute a default under the applicable indenture which would, in turn, constitute a default under the Amended and Restated RCF Agreement and certain other indebtedness. See *''Description of the Notes—Change of Control.''*

In certain circumstances, a Change of Control Offer will not be required to be made.

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

The definition of ''Change of Control'' in the Indenture will include a disposition of all or substantially all of the assets of the Issuer 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 Issuer's assets and their restricted subsidiaries 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.

Investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments. Investments in the Notes denominated in a currency other than US dollars by US investors may also have important tax consequences as a result of foreign exchange gains or losses, if any. See *''Taxation—Certain U.S. Federal Income Tax Considerations*.''

You may not be able to recover in civil proceedings for US securities law violations.

The Parent, the Issuer, each of the Guarantors and their respective subsidiaries are organized or incorporated outside the United States, and our business is conducted entirely outside the United States. The directors, managers and/or executive officers of the Issuer and the Guarantors are all non-residents of the United States, and substantially all of their assets are located outside the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under US securities laws, you may be unable to effect service of process within the United States on these directors, managers and executive officers. In addition, as substantially all of the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the US courts against them. Moreover, in light of decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the provisions of the federal securities laws of the United States. The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Germany, Luxembourg, England and Wales and Jersey. There is, therefore, doubt as to the enforceability in Germany, Luxembourg, England and Wales and Jersey of US securities laws in an action to enforce a US judgment in such jurisdictions. In addition, the enforcement in Germany, Luxembourg, England and Wales and Jersey of any judgment obtained in a US court, whether or not predicated solely upon US federal securities laws, will be subject to certain conditions. There is also doubt that a court in Germany, Luxembourg, England and Wales and Jersey would have the requisite power or authority to grant remedies sought in an original action brought in such jurisdictions on the basis of US securities laws violations. See ''*Service of Process and Enforcement of Civil Liabilities*.''

Investors in the Notes may have limited recourse against our independent auditors in England and Wales.

In respect of the audit reports relating to the annual consolidated financial statements of Metis Bidco Limited reproduced herein, KPMG UK, our UK Division's independent auditor, provides: ''This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.''

Investors in the Notes should understand that these statements are intended to disclaim any liability to parties (such as purchasers of the Notes) other than to our UK Division with respect to those reports. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act, or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited. The extent to which auditors have responsibility or liability to third parties is unclear under the laws of many jurisdictions, including England and Wales, and the legal effect of these statements in the audit reports is untested. The inclusion of the language referred to above, however, may limit the ability of holders of the Notes to bring any action against our auditors for damages arising out of an investment in the 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 ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein 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.

USE OF PROCEEDS

We estimate that the gross proceeds from the Offering will be approximately €415 million. On the Issue Date, we expect to use these proceeds, together with cash on balance sheet, to (i) redeem all of the Existing 2021 Euro Notes, (ii) pay the accrued interest and the redemption premium for the Existing 2021 Euro Notes and (iii) pay fees and expenses in connection with the Transactions.

The expected estimated sources and uses of proceeds received from the Offering are shown in the table below. The actual amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ at the time of the Offering, depending on several factors, including differences in our estimate of fees and exchange rate fluctuations.

Sources	(in € million)	Uses	(in € million)
Notes offered hereby[(1)]	€415.0	Repayment of the Existing 2021 Euro Notes[(2)]	€405.0
		Redemption premium[(3)]	€ 4.1
		Fees and expenses[(4)]	€ 5.9
Total sources	**€415.0**	**Total uses**	**€415.0**

(1) Represents the aggregate principal amount of the Notes.

(2) Represents the principal amount outstanding under the Existing 2021 Euro Notes, excluding accrued and unpaid interest of €5.7 million, which will be paid using cash on balance sheet.

(3) Represents estimated premium payable in connection with the redemption of the Existing 2021 Euro Notes outstanding based on the current redemption premium on the Existing 2021 Euro Notes.

(4) Represents estimated fees and expenses of the Transactions, including underwriting fees and commissions, other transaction costs and professional fees.

CAPITALIZATION

The following table sets forth the cash and cash equivalents and the capitalization as of June 30, 2017 of the Parent and its subsidiaries on a historical consolidated basis and as adjusted on a *pro forma* basis to give effect to the Offering and the expected application of the proceeds thereof.

This table should be read in conjunction with ''*Use of Proceeds*,'' ''*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations*,'' ''*Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations*,'' ''*Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations*,'' ''*Description of Certain Financing Arrangements*'' and the Consolidated Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since June 30, 2017.

	As of June 30, 2017	
	Historical	**As Adjusted**[(1)]
	in £ million[(2)]	
Cash and cash equivalents	**92.1**	**92.1**[(3)]
thereof unrestricted cash[(4)]	62.9	62.9
thereof restricted cash[(5)]	29.2	29.2
Revolving Credit Facility[(6)]	—	—
Existing 2022 Euro Notes[(7)]	320.8	320.8
Existing 2022 Sterling Notes	565.0	565.0
Existing 2021 Euro Notes[(8)]	356.0	—
Notes offered hereby	—	364.8
Total senior secured financial indebtedness	**1,241.8**	**1,250.6**
Existing Senior Notes	230.0	230.0
Milla Securitization	—	—
Total financial indebtedness	**1,471.8**	**1,480.6**
Equity	271.4	271.4
Total capitalization	**1,743.2**	**1,752.0**

(1) As adjusted to give *pro forma* effect to the Offering and the expected use of proceeds thereof as if the Issue Date had occurred on June 30, 2017. See ''*Use of Proceeds*.''

(2) Euro-denominated amounts in the above table were translated at £0.879 to €1.00, the exchange rate as of June 30, 2017.

(3) Represents cash and cash equivalents as adjusted for the Offering (including the expected use of proceeds thereof) and excluding the payment of accrued and unpaid interest on the Existing 2021 Euro Notes. See ''*Use of Proceeds*.''

(4) The historical amount represents the carrying amount of cash and cash equivalents less the carrying amount of restricted cash.

(5) The historical amount represents the carrying amount of restricted cash as shown in the notes to the cash flow statements.

(6) Represents the €200.0 million senior secured Revolving Credit Facility established under the Amended and Restated RCF Agreement which we expect to be undrawn on the Issue Date. See ''*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*.''

(7) Represents the pound sterling equivalent of the €365.0 million aggregate principal amount of the Existing 2022 Euro Notes.

(8) Represents the pound sterling equivalent of the €405.0 million aggregate principal amount of the Existing 2021 Euro Notes, which is expected to be repaid in connection with the Transactions.

SELECTED GROUP CONSOLIDATED FINANCIAL INFORMATION

The following table summarizes the Group's historical consolidated financial data as of the dates and for the periods indicated and should be read in conjunction with the Group Consolidated Financial Statements and the Unaudited Group Interim Condensed Consolidated Financial Statements, which are reproduced elsewhere in this Offering Memorandum, and the section entitled ''Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations.'' Where financial data in the following tables is labeled ''audited,'' this means that it has been taken from the Group Consolidated Financial Statements or the Unaudited Group Interim Condensed Consolidated Financial Statements mentioned above. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the Group Consolidated Financial Statements or the Unaudited Group Interim Condensed Consolidated Financial Statements mentioned above but rather was taken from the Issuer's internal reporting system, or has been calculated based on figures from these sources. The information below is not necessarily indicative of the results of future operations.

In addition, the following tables present summary unaudited condensed consolidated financial information and other data from the Unaudited Pro Forma Condensed Consolidated Financial Information as of and for the twelve months ended December 31, 2015 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing Euro 2022 Notes issued in connection therewith as if they had been consummated on January 1, 2015. The following summary unaudited condensed consolidated financial information and other data as of and for the year ended December 31, 2015 has been derived from and should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Information included elsewhere in this Offering Memorandum. Pro forma financial information usually covers only a current interim period and the last completed financial year, at most, whereas the Unaudited Pro Forma Condensed Consolidated Financial Information included in this Offering Memorandum presents periods beyond the prior period as of the current date.

The historical data or unaudited pro forma financial information below is not necessarily indicative of results of future operations and should be read in conjunction with ''Use of Proceeds,'' ''Capitalization,'' ''Summary Consolidated Financial and Other Information of the Group,'' ''Summary Consolidated Financial and Other Information of our DACH Division,'' ''Summary Consolidated Financial and Other Information of our UK Division,'' ''Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations,'' ''Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations,'' ''Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations,'' ''Description of the Notes'' and the Unaudited Pro Forma Condensed Consolidated Financial Information and the notes related thereto included elsewhere in this Offering Memorandum. Historical results are not necessarily indicative of future expected results.

Summary Group Consolidated Statement of Comprehensive Income

	For the period from June 1, 2015 (date of incorporation) to December 31,	For the Year ended December 31,		For the Six Months Ended June 30,		For the twelve months ended June 30,
	2015	Pro Forma 2015[(1)]	2016	2016	2017	2017
	(audited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)
			(in £ millions)			
Continuing operations						
Revenue						
Income from portfolio investments	52.5	172.1	199.3	93.2	116.0	222.1
Portfolio write up	20.7	56.1	95.4	37.9	57.4	114.9
Portfolio fair value release	(0.6)	(3.3)	(3.4)	(1.7)	(1.3)	(3.0)
Service revenue	65.8	138.1	160.0	71.6	86.0	174.4
Other revenue	1.7	2.8	2.9	1.3	1.6	3.2
Total revenue	**140.2**	**365.7**	**454.2**	**202.2**	**259.7**	**511.7**
Other income	1.9	5.1	4.1	1.7	0.6	3.0
Operating expenses						
Collection activity costs	(68.5)	(152.8)	(181.4)	(84.0)	(91.2)	(188.6)
Other expenses[(2)]	(73.5)	(151.5)	(167.2)	(69.4)	(100.2)	(198.0)
Total operating expenses	**(142.0)**	**(304.3)**	**(348.6)**	**(153.4)**	**(191.4)**	**(386.6)**
Operating profit	0.1	66.5	109.8	50.6	68.9	128.1
Interest income	3.3	3.7	0.7	2.3	0.3	(1.3)
Finance costs[(3)]	(77.4)	(169.2)	(138.7)	(67.8)	(82.1)	(153.0)
Loss before tax	**(74.0)**	**(99.0)**	**(28.2)**	**(15.0)**	**(12.9)**	**(26.1)**
Income tax (expense) / credit	5.5	7.1	(3.0)	(3.7)	3.3	4.0
Loss for the period	**(68.5)**	**(91.8)**	**(31.2)**	**(18.8)**	**(9.6)**	**(22.1)**
Other comprehensive loss						
Gains / (losses) on pension plans	0.4		(1.0)	—	—	(1.0)
Deferred tax on gains / (losses) on pension plans	(0.1)		0.3	—	—	0.3
Foreign operations—foreign currency translation differences	(6.0)		(5.9)	(5.9)	(2.9)	(3.0)
Total comprehensive loss for the period attributable to equity shareholders	(74.3)		(37.8)	(24.7)	(12.6)	(26.0)

(1) Prepared on a *pro forma* basis as if the Lowell Acquisition and the GFKL Acquisition and the offering of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith had been completed on January 1, 2015. See ''*Presentation of Financial and Other Information*'' and ''*Unaudited Pro Forma Condensed Consolidated Financial Information*.''

(2) Other expenses in the year ended December 31, 2016 included a tradename impairment expense of £6.2 million and acquisition costs of £1.2 million. In the year ended December 31, 2015, other expenses included acquisition costs for Metis Bidco Limited and GFKL Holdco of £12.2 million and £11.8 million, respectively. Other expenses in the twelve months ended June 30, 2017 included a tradename impairment expense of £6.2 million and acquisition costs of £1.1 million.

(3) Finance costs for the year ended December 31, 2015 included debt redemption fees for Metis Bidco Limited and GFKL Holdco of £38.2 million and £1.5 million, respectively.

Summary Group Consolidated Statement of Financial Position

	As of December 31,		As of June 30,	
	2015	2016	2016	2017
	(in £ millions) (audited)			
Assets				
Non-current assets				
Goodwill	861.4	1,005.9	912.4	1,018.1
Intangible assets	76.1	124.1	90.7	119.3
Property, plant and equipment	6.3	10.1	7.6	10.2
Portfolio investments	345.7	491.4	394.1	522.8
Other financial assets	5.0	2.1	3.2	4.8
Deferred tax assets	0.8	—	—	—
Total non-current assets	**1,295.2**	**1,633.7**	**1,408.0**	**1,675.1**
Current assets				
Portfolio investments	270.8	340.3	294.0	363.9
Trade and other receivables	26.8	28.9	40.0	42.5
Assets for current tax	4.2	1.1	0.9	0.6
Other financial assets	10.0	8.3	10.9	8.0
Cash and cash equivalents	106.9	98.1	61.0	92.1
Total current assets	**418.9**	**476.7**	**406.8**	**507.2**
Total assets	**1,714.0**	**2,110.5**	**1,814.8**	**2,182.3**
Equity				
Share capital	3.7	3.7	3.7	3.7
Share premium and similar premiums	357.2	400.4	397.3	400.4
Reserves	(14.2)	(20.5)	(20.1)	(23.4)
Retained deficit	(68.6)	(99.7)	(87.3)	(109.3)
Total Equity attributable to equity holders of the parent	**278.2**	**284.0**	**293.7**	**271.4**
Non-controlling interests	0.5	—	0.4	—
Total Equity	**278.7**	**284.0**	**294.1**	**271.4**
Liabilities				
Non-current liabilities				
Borrowings	1,221.1	1,531.3	1,312.8	1,723.6
Provisions for pensions	3.5	5.1	4.0	5.3
Provisions	0.6	1.8	1.4	1.8
Derivatives	0.5	0.2	0.4	—
Other financial liabilities	55.6	0.1	0.1	0.1
Deferred tax liabilities	27.4	47.3	33.1	43.3
Total non-current liabilities	**1,308.8**	**1,585.8**	**1,351.6**	**1,774.2**
Current liabilities				
Trade and other payables	60.7	101.7	63.0	70.7
Provisions	10.6	14.5	12.5	15.0
Borrowings	34.0	100.3	70.9	27.8
Derivatives	0.3	0.3	0.3	—
Other financial liabilities	6.9	6.5	6.2	6.8
Current tax liabilities	14.0	17.3	16.1	16.5
Total current liabilities	**126.5**	**240.6**	**169.0**	**136.7**
Total equity and liabilities	**1,714.0**	**2,110.5**	**1,814.8**	**2,182.3**

Summary Group Consolidated Statement of Cash Flows

	For the Year ended December 31, 2016	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2017
	(in £ millions) (audited)		
Consolidated cash flow statement:			
Net cash used in / from operating activities	**(21.5)**	**(15.7)**	**(22.6)**
Investing activities			
Interest received	0.2	0.3	0.1
Proceeds from sale of subsidiary	0.2	0.5	—
Purchase of property, plant and equipment	(4.8)	(1.8)	(1.1)
Proceeds of intangible assets	(5.0)	(2.8)	(0.8)
Acquisition of subsidiary, net of cash acquired	(133.8)	(17.1)	—
Net cash from investing activities	**(143.2)**	**(21.0)**	**(1.8)**
Financing activities			
Proceeds from loans and borrowings	263.0	38.0	156.0
Transaction costs related to loans and borrowings	(11.0)	—	(0.8)
Repayment of borrowings	(0.7)	—	(82.5)
Interest paid	(102.0)	(51.6)	(55.9)
Net cash from financing activities	**149.3**	**(13.6)**	**16.7**
Net increase/(decrease) from cash and cash equivalents	(15.4)	(50.3)	(7.6)
Cash and cash equivalents at the beginning of the period	**106.9**	**106.9**	**98.1**
Effect of movements in exchange rate on cash held	6.5	4.4	1.7
Cash and cash equivalents at the end of the period	**98.1**	**61.0**	**92.1**

SELECTED UK DIVISION CONSOLIDATED FINANCIAL INFORMATION

The following table summarizes our UK Division's historical consolidated financial data as of the dates and for the periods indicated and should be read in conjunction with the UK Division Consolidated Financial Statements, which are reproduced elsewhere in this Offering Memorandum, and the section entitled ''Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations.'' Where financial data in the following tables is labeled ''audited,'' this means that it has been taken from the UK Division Consolidated Financial Statements mentioned above. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the UK Division Consolidated Financial Statements mentioned above but rather was taken from the Issuer's internal reporting system, or has been calculated based on figures from these sources. The information below is not necessarily indicative of the results of future operations.

Metis Bidco Limited, our UK Division's consolidating entity, was incorporated on May 31, 2011 for the purpose of consummating its acquisition of Lowell Group Limited and its subsidiaries. In 2015, our UK Division changed its financial year end from September 30 to December 31 in order to align the financial reporting schedule to calendar year end. Accordingly, the financial results for the UK Division Financial Year 2015 are presented as of December 31, 2015 and for the 15-month period from September 1, 2014 to December 31, 2015. As a result, the financial results for the UK Division Financial Year 2015 are not directly comparable to those for the UK Division Financial Year 2014.

The historical data or unaudited pro forma financial information below is not necessarily indicative of results of future operations and should be read in conjunction with ''Use of Proceeds,'' ''Capitalization,'' ''Summary Consolidated Financial and Other Information of our UK Division,'' ''Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations'' and the UK Division Consolidated Financial Statements including the notes thereto, which are included elsewhere in this Offering Memorandum.

Summary UK Division Consolidated Statement of Comprehensive Income

	For the UK Division Financial Year(1)	
	2014	2015
	(in £ millions) (audited)	
Continuing operations		
Revenue		
Income from portfolio investments	107.1	161.3
Portfolio write up	25.3	33.5
Portfolio fair value release	(4.9)	(4.5)
Other revenue	18.7	12.9
Total revenue	**146.2**	**203.2**
Operating expenses		
Collection activity costs	(33.5)	(51.9)
Other expenses	(63.1)	(78.8)
Total operating expenses	**(96.6)**	**(130.6)**
Operating profit	**49.6**	**72.6**
Interest income	0.1	0.0
Finance costs	(63.9)	(123.0)
Goodwill impairment	—	—
Loss before tax	**(14.2)**	**(50.3)**
Income tax expense	(1.9)	3.6
Loss for the period attributable to equity shareholders	**(16.1)**	**(46.7)**
Other comprehensive income	—	—
Total comprehensive loss for the period attributable to equity shareholders	**(16.1)**	**(46.7)**

(1) The financial information presented in this table relates to periods of unequal duration. The UK Division Financial Year 2014 figures represent the UK Division's financial results for the 12-month period from October 1, 2013 to September 30, 2014. The

UK Division Financial Year 2015 figures represent the UK Division's financial results for the 15-month period from October 1, 2014 to December 31, 2015.

Summary UK Division Consolidated Balance Sheet

	As of September 30, 2014	As of December 31, 2015
	(in £ millions) (audited)	
Assets		
Non-current assets		
Goodwill	169.8	169.8
Intangible assets	5.6	4.6
Property, plant and equipment	4.0	3.9
Portfolio investments	204.6	289.5
Deferred tax assets	0.3	3.5
Total non-current assets	**384.3**	**471.3**
Current assets		
Portfolio investments	163.7	202.8
Trade and other receivables	33.1	34.3
Cash and cash equivalents	34.4	15.1
Total Current assets	**231.2**	**252.2**
Total assets	**615.5**	**723.5**
Equity		
Share capital	1.3	274.1
Share premium	0.1	0.1
Retained deficit	(72.9)	(119.5)
Total (deficit)/equity attributable to shareholders	**(71.5)**	**154.7**
Liabilities		
Non-current liabilities		
Borrowings	650.0	521.9
Total non-current liabilities	**650.0**	**521.9**
Current liabilities		
Trade and other payables	36.9	22.2
Borrowings	—	24.7
Deferred tax liability	—	—
Current tax liabilities	0.1	—
Total current liabilities	**37.0**	**46.9**
Total equity and liabilities	**615.5**	**723.5**

Summary UK Division Cash Flow Statement Information

	For the UK Division Financial Year(1)	
	2014	2015
	(in £ millions) (audited)	
Consolidated cash flow statement:		
Net cash from operating activities	**(81.2)**	**(128.8)**
Investing activities		
Interest received	0.1	0.0
Purchase of property, plant and equipment	(3.1)	(1.1)
Purchase of intangible assets	(1.8)	(2.3)
Proceeds of sale of property, plant and equipment	0.0	0.2
Acquisition of subsidiary	—	—
Net cash from investing activities	**(4.7)**	**(3.2)**
Financing activities		
New borrowings	115.0	502.7
Repayment of borrowings	(10.0)	(390.0)
New share issue	0.1	—
Net cash from financing activities	**105.1**	**112.7**
Net increase/(decrease) from cash and cash equivalents	19.1	(19.3)
Cash and cash equivalents at the beginning of the period	**15.3**	**34.4**
Cash and cash equivalents at the end of the period	**34.4**	**15.1**

(1) The financial information presented in this table relates to periods of unequal duration. The UK Division Financial Year 2014 figures represent the UK Division's financial results for the 12-month period from October 1, 2013 to September 30, 2014. The UK Division Financial Year 2015 figures represent the UK Division's financial results for the 15-month period from October 1, 2014 to December 31, 2015.

SELECTED DACH DIVISION CONSOLIDATED FINANCIAL INFORMATION

The following tables present our DACH Division's selected financial information as of the dates and for the periods indicated below and should be read in conjunction with the DACH Division Consolidated Financial Statements, which are reproduced elsewhere in this Offering Memorandum and the section entitled ''Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations.'' The DACH Division Consolidated Financial Statements were prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (Handelsgesetzbuch) and were audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer) by E&Y Germany which issued an unqualified auditor's report thereon in each case. Where financial data in the following tables is labeled ''audited'', this means that it has been taken from the DACH Division Consolidated Financial Statements mentioned above. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the DACH Division Consolidated Financial Statements mentioned above but rather was taken from the Issuer's internal reporting system, or has been calculated based on figures from these sources. The information below is not necessarily indicative of the results of future operations.

The DACH Division changed its accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement'' and adjusted the prior-year comparative figures as of and for the year ended December 31, 2014 in the DACH Division 2015 Audited Consolidated Financial Statements retrospectively with effect to January 1, 2014. In the DACH Division 2014 Audited Consolidated Financial Statements, the DACH Division measured ''Non-performing loans and receivables acquired for settlement'' at fair value and recognized these financial instruments at fair value through profit or loss. As part of the integration in the Group and for ease of comparison with international competitors, the DACH Division recognized in the DACH Division 2015 Consolidated Financial Statements ''Non-performing loans and receivables acquired for settlement'' at amortized costs using the effective interest method. For additional information see Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements. The financial information as of and for the year ended December 31, 2014 has been derived from the DACH Division 2015 Audited Consolidated Financial Information. See ''Presentation of Financial and Other Information—Financial Information—DACH Division.''

The historical data below is not necessarily indicative of results of future operations and should be read in conjunction with ''Use of Proceeds,'' ''Capitalization,'' ''Summary Consolidated Financial and Other Information of our DACH Division,'' ''Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations'' and the DACH Division Consolidated Financial Statements including the notes thereto, which are included elsewhere in this Offering Memorandum.

Summary DACH Division Consolidated Income Statement Information

	Financial Year	
	2014[(1)] (restated)	2015
	(in € million) (audited)	
Revenue	243.9	271.9
Other operating income	16.1	6.1
Cost of purchased goods and services	0.8	1.1
Personnel expenses	45.2	48.9
Depreciation, amortization and impairment expense	6.3	4.1
Other operating expenses	163.8	180.9
Interest and similar income	0.5	1.0
Interest and similar expenses	16.0	10.3
Earnings/(loss) before tax	**28.4**	**33.6**
Income taxes/(income)	11.0	11.1
Profit/(loss) from continuing operations	**17.4**	**22.5**
Profit/(loss) from discontinued operations	(2.3)	—
Consolidated profit/(loss) for the period	**15.1**	**22.5**
Profit attributable to non-controlling interests	0.0	—
Loss attributable to non-controlling interests	—	0.0
Profit/(loss) attributable to equity holders of the parent	**15.1**	**22.5**

(1) The income statement figures for the financial year ended December 31, 2014 included in this table are derived from the DACH Division 2015 Audited Consolidated Financial Statements where the prior-year comparative figures as of and for the financial year ended December 31, 2014 were retrospectively adjusted due to changes in accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement.'' See ''*Presentation of Financial and Other Information*'' and Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements. Therefore, the adjusted income statement figures for the financial year ended December 31, 2014 derived from the DACH Division 2015 Audited Consolidated Financial Statements differ from those in the DACH Division 2014 Audited Consolidated Financial Statements.

Summary DACH Division Consolidated Balance Sheet

	As of December 31,	
	2014[(1)]	2015
	(in € million) (audited)	
Assets		
Non-current assets		
Property, plant and equipment	3.8	3.2
Intangible assets	19.3	18.9
Goodwill	21.6	21.6
Non-performing loans and receivables acquired for settlement[(1)]	47.9	68.8
Other financial assets	8.4	0.1
Non-current assets	**101.0**	**112.6**
Current assets		
Inventories	0.0	0.1
Non-performing loans and receivables acquired for settlement[(1)]	55.8	66.7
Trade and other receivables	10.8	11.8
Income tax refund claims	4.4	4.5
Other financial assets	12.9	13.6
Cash and cash equivalents	35.7	43.9
Current assets	**119.6**	**140.6**
Total assets	**220.5**	**253.1**
Equity and Liabilities		
Equity attributable to equity holders of the parent	7.6	30.6
Non-controlling interests	0.8	0.8
Total Equity	**8.4**	**31.4**
Non-current liabilities		
Liabilities to banks	71.9	0.0
Derivatives with negative fair values	1.3	0.7
Other financial liabilities	32.7	114.8
Provisions	0.6	0.8
Provisions for pensions	5.3	4.8
Deferred tax liabilities	11.0	18.5
Non-current liabilities	**122.7**	**139.5**
Current liabilities		
Liabilities to banks	7.5	0.0
Derivatives with negative fair values	0.6	0.4
Trade payables and other liabilities	9.5	12.5
Other financial liabilities	42.5	36.0
Income tax provisions	17.6	18.8
Provisions	11.7	14.4
Current liabilities	**89.4**	**82.2**
Total Liabilities	**212.2**	**221.8**
Total equity and liabilities	**220.5**	**253.1**
Sum of current and non-current non-performing loans and receivables required for settlement	**103.7**	**135.5**

(1) The balance sheet figures as of December 31, 2014 included in this table are derived from the DACH Division 2015 Audited Consolidated Financial Statements where the prior-year comparative figures as of and for the financial year ended December 31, 2014 were retrospectively adjusted due to changes in accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement.'' See ''*Presentation of Financial and Other Information*'' and Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements. Therefore, the adjusted balance sheet figures as of December 31, 2014 derived from the DACH Division 2015 Audited Consolidated Financial Statements differ from those in the DACH Division 2014 Audited Consolidated Financial Statements.

Summary DACH Division Cash Flow Statement Information

	Financial Year 2014	Financial Year 2015
	(in € million) (audited)	
Cash flow from operating activities	36.9	66.8
Cash flow from investing activities	(29.7)	(58.7)
Cash flow from financing activities	(31.6)	0.0
Change in cash and cash equivalents	(24.3)	8.1
Cash and cash equivalents at the end of the period	35.7	43.9
Thereof restricted cash[(1)]	24.4	20.4

(1) Restricted cash corresponds to payment transfer obligations that existed as of the respective DACH Division balance sheet dates.

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

The following information should be read in conjunction with the selected consolidated financial and operating data and the Unaudited Group Interim Condensed Consolidated Financial Statements, the Group Consolidated Financial Statements, the DACH Division Audited Consolidated Financial Statements and the UK Division Audited Consolidated Financial Statements along with, in each case, the notes included elsewhere in this Offering Memorandum. The Unaudited Group Interim Condensed Consolidated Financial Statements, which were prepared in accordance with IFRS on interim financial reporting, have not been audited. Where financial data in the following tables is labeled "audited," this means that it has been taken from the Group Consolidated Financial Statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that has not been taken from the Group Consolidated Financial Statements mentioned above but rather was taken from the Unaudited Group Interim Condensed Consolidated Financial Statements or the Issuer's internal reporting system, or has been calculated based on figures from these sources, as applicable. The information below is not necessarily indicative of our future results of operations. The following discussion contains forward-looking statements that reflect our plans and estimates and our beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum particularly in the sections entitled "Risk Factors" and "Forward-Looking Statements."

The unaudited financial information for the twelve months ended June 30, 2017 included elsewhere in this Offering Memorandum is based on the Unaudited Group Interim Condensed Consolidated Financial Statements and is calculated by taking the consolidated interim financial information for the six-month period ended June 30, 2017 derived from the Unaudited Group Interim Condensed Consolidated Financial Statements and the Group's internal accounting system, and adding it to the consolidated financial information for the year ended December 31, 2016 derived from the Group Consolidated Financial Statements and the Group's internal accounting system and subtracting the condensed consolidated interim financial information for the six-month period ended June 30, 2016 derived from the Group Consolidated Financial Statements and the Group's internal accounting system. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

In addition, we present below certain unaudited pro forma condensed consolidated financial information and other data from the Unaudited Pro Forma Condensed Consolidated Financial Information as of and for the year ended December 31, 2015 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith as if they had been consummated on January 1, 2015. The below unaudited pro forma condensed consolidated financial information and other data as of and for the year ended December 31, 2015 has been derived from and should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Information included elsewhere in this Offering Memorandum. The unaudited pro forma condensed consolidated financial data is for illustrative purposes only and does not purport to indicate the financial results of our combined business had the above-mentioned events taken place on January 1, 2015 and is not intended to be a projection of future results. Future results may vary significantly from the results reflected because of various factors, including those discussed in "Risk Factors." This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited. Pro forma financial information usually covers only a current interim period and the last completed financial year, at most, whereas the Unaudited Pro Forma Condensed Consolidated Financial Information included in this Offering Memorandum presents periods beyond the prior period as of the current date.

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

Memorandum, the Indenture and the Existing Indentures. 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 historical data below should be read in conjunction with ''Use of Proceeds,'' ''Capitalization,'' ''Selected UK Division Consolidated Financial Information,'' ''Selected DACH Division Consolidated Financial Information,'' ''Selected Group Consolidated Financial Information,'' ''Unaudited Pro Forma Condensed Consolidated Financial Information,'' ''Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations,'' ''Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations,'' and the financial statements of the Group, the UK Division and the DACH Division along with, in each case, the notes thereto, which are included elsewhere in this Offering Memorandum.

Overview

We are one of the largest receivables management businesses in Europe by revenue and ERC on purchased debt portfolios and current outstanding face value of debt portfolios managed on behalf of third parties. We believe we are well positioned to expand into other European consumer credit markets and we believe our Group has strong growth prospects in the two largest European consumer credit markets (the UK and Germany). These growth prospects are supported by our clear core competencies: (i) longstanding and multifaceted client relationships built on differentiated strategies for originating new business; (ii) a broad business model that is diversified across product offerings, markets and sectors; (iii) a strong track record of return on capital and reliable portfolio pricing; (iv) a cash-generation capability featuring high predictability and visibility into future cash flows; and (v) a robust governance framework with a focus on reputation and compliance that we believe is embedded in our operational activity.

With respect to our debt purchase business, as of June 30, 2017, we had invested a total of £1.7 billion in the acquisition of 1,869 debt portfolios with an aggregate face value of £22.9 billion. As of June 30, 2017, the Gross Money Multiple for our purchased debt portfolios was 2.4x in our UK Division and 3.2x in our DACH Division (which is currently comprised of Germany, Austria, Switzerland, Croatia and Slovenia). We generated total revenue of £511.7 million, operating profit of £128.0 million and *Pro Forma* Adjusted EBITDA of £287.1 million for the twelve months ended June 30, 2017, which has consistently increased since 2015. For the year ended December 31, 2016, we generated total revenue of £454.2 million and operating profit of £109.8 million. Our Group ERC was approximately £2.0 billion as of June 30, 2017 (representing a consistent increase since 2015). We generated revenue from debt purchases of £334.0 million and from third-party collections (''**3PC**'') of £104.7 million for the twelve months ended June 30, 2017, excluding lawyer service revenue. For the year ended December 31, 2016, our revenue from debt purchases was £291.3 million and from 3PC was £82.9 million, excluding lawyer service revenue. As of June 30, 2017, we had £10.0 billion (as of June 30, 2016 £8.1 billion) in face value of third-party debt under management. For further information on third-party debt under management, see ''*Summary Non-Financial Operating Data of the Group—Key Performance Indicators and Other Operating Data for the Group.*'' For a discussion of how our UK Division and our DACH Division determine their respective number of portfolios purchased during a given period, see ''*Summary Non-Financial Operating Data of the Group—Portfolio Purchases Face Value of Purchased Debt & Gross Money Multiples by Vintage*,'' note 1. For a discussion of how we define *Pro Forma* Adjusted EBITDA and Group ERC, see ''*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures*'' and ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.''

We enjoy a leading position in the UK and Germany, our two core markets, built on the key capabilities of our UK Division and DACH Division, respectively. Following our acquisition of IS Group Management GmbH (''**IS Inkasso Service**'') in May 2016 and the Tesch Group in September 2016, we now also enjoy a leading position in Austria in 3PC services and benefit from a strong position in 3PC services in Germany, including a leading position in the utilities sector. We have built our reputation in the UK as a preeminent debt purchaser as a result of advanced decision science, the unique insights we derive from our comprehensive consumer information databases and our highly efficient operational platform. Best practices relating to our sophisticated pricing, decision science and cost-optimization experience are continuously shared across our business.

We believe the competitive advantages and competencies of each of our divisions represent industry best practice, allowing us to maintain our position as a preeminent player in the European receivables management services sector. As our combined business continues to develop, we expect to further capitalize on our strengths by: (i) delivering a multi-product, multi-service and pan-regional offering while maintaining clear pricing discipline; (ii) establishing an industry benchmark for operational excellence through investments in our one-stop service offering; (iii) maintaining our reputation for pioneering insights by continuously improving our IT, data and collection platforms through innovations and investment; (iv) continuing to take a best practices approach to our client relationships; and (v) continuing to invest in our employees and corporate culture.

Illustrative Economics

The following table provides an overview of the Group's illustrative economics as of and for the twelve months ended June 30, 2017:

Key Economics[(1)]	Principal value of purchased debt[(2)]	£22.9 billion
	Total price paid (as % of principal value)[(3)]	7.4%
	Portfolio purchase price[(3)]	£1.7 billion
	Portfolio Investments	£300.3 million
	Revenue	£511.7 million
	Gross collections[(4)]	£2.5 billion
	ERC[(5)]	£2.0 billion
	Gross money multiple (UK Division)[(6)]	2.4x
	Gross money multiple (DACH Division)[(7)]	3.2x

(1) Key economics are presented as of and for the twelve months ended June 30, 2017 unless otherwise stated. The key economic figures for the Group presented in this table represent the combination, without adjustment, of data from the UK and DACH Divisions. To facilitate this combination, the euro-denominated key economic data from our DACH Division was converted to pounds sterling conversion using the applicable rate at June 30, 2017. See ''*Presentation of Financial and Other Information—Non-Financial Operating Data*'' and ''*Exchange Rate Information*.''

(2) For the UK Division, this includes purchased debt since the UK Division bought its first portfolio in 2004 through June 30, 2017. For the DACH Division, this includes purchased debt since 2003 through June 30, 2017 and may include accrued interest and fees at the time of the debt portfolios' purchase.

(3) Calculated using the same parameters as the principal value of purchased debt above.

(4) Represents the combination, without adjustment, of Gross Collections on owned portfolios for the UK Division from 2004 through June 2017 and the DACH Division from 2003 through June 2017.

(5) Represents a combination of the UK Division's ERC, which was calculated on a 120-month basis, and the DACH Division's ERC, which was calculated on a 180-month basis.

(6) UK Division Gross Money Multiple is the total expected cash return from purchased debt portfolios calculated as the sum of Gross Collections achieved to date and our UK Division's ERC divided by purchase price.

(7) Total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved from September 30, 2003 through June 30, 2017 and our DACH Division's ERC divided by purchase price.

Significant Factors Affecting Results of Operations

The Group's business and results of operations have been, and are expected to continue to be, affected by certain key factors, including acquisitions, and we expect these key factors to affect our business in the future. Each of these additional factors is discussed in more detail below.

Portfolio purchases

We typically purchase a large number of lower-value portfolios, which enables us to purchase portfolios regularly in order to expand our operations. As a result, the relative significance of individual debt originators changes from year to year. We also seek to adopt a diversified purchase strategy and as a result made portfolio purchases from 25 vendors of debt in the UK Division with a face value of at least £100,000 in the twelve months ended June 30, 2017 and 37 vendors for the DACH Division with a face value of at least €100,000 in the same period.

As of June 30, 2017, our UK Division's Backbook was made up of approximately 23.8 million accounts and 1,519 debt portfolios, 63% of which cost less than £0.5 million, with the 30 largest debt portfolios comprising 24% of Gross ERC. During the twelve months ended June 30, 2017, we received approximately 1.3 million payments per month from UK consumers, with an average internal monthly payment of £21.03 for such period. As of June 30, 2017, the average account balance in our UK debt portfolio was £753. Our UK debt portfolios are also diversified across primarily three different sectors, with 56% originated in the financial services sector, 26% in the retail sector and 17% in the telecommunications sector (as of June 30, 2017 and based on purchase price).

As of June 30, 2017, our DACH Division's Backbook was made up of approximately 3.6 million active accounts and 350 debt portfolios, 55% of which cost less than €0.5 million, with the 30 largest debt portfolios comprising 59% of Gross ERC. Our DACH Division debt portfolios are primarily diversified across four different sectors, with 38% originated in the financial services section, 25% in the retail sector, 16% in the telecommunications sector and 8% in the fitness sector with the remaining 13% in other sectors such as utilities, public services, leisure, tourism as of June 30, 2017 and based on purchase price.

There are two principal models for purchasing portfolios of debt: spot sale agreements and forward flow agreements. In a spot sale, we agree to buy a portfolio of claims that we receive in one transaction upon payment. In our DACH Division, spot sales are mostly conducted through auctions, especially in the financial services sector, while in our UK Division, spot sales are mostly conducted through sealed bids. In a forward flow agreement, we agree to buy claims with predetermined characteristics at a pre-defined price or price range for a given volume from a client on an ongoing basis. See ''*Our Business—Debt Purchase—Debt Portfolio Purchase—Types of Debt Purchase Agreements*.'' In the period from June 1, 2004 to June 30, 2017, 40% of our UK Division's purchased portfolios were acquired pursuant to forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase, representing £519.4 million in purchase price consideration and a principal value of £6.0 billion. In the period from September 30, 2003 to December 31, 2016, 40% of our DACH Division's purchased portfolios were acquired pursuant to forward flow agreements, representing €180 million in purchase price consideration and a principal value of €706 million, which excludes any accrued interest and any fees and costs at the time of purchase. We believe our ability to secure and renew forward flow agreements is a key driver of our performance as these increase client retention and thereby provide greater earnings visibility.

As of June 30, 2017, our UK Division's cumulative investment in portfolios was £1,302.5 million, its cumulative consumer accounts was approximately 23.8 million and its cumulative aggregate face value of debt was £17.9 billion. As of June 30, 2017, our DACH Division's cumulative investment in portfolios was €480 million, its cumulative consumer accounts was approximately 7.0 million and its cumulative aggregate face value of debt was €5.6 billion.

The table below highlights the historical scale and stability of our purchasing activity by setting forth our acquisitions of purchased debt portfolios, face value of debt purchased and the average price paid by division for the periods indicated.

	For the twelve months ended December 31,			For the six months ended June 30,	
	2014	2015	2016	2016	2017
	(unaudited) (£ million, unless indicated)				
UK Division					
Acquisitions of purchased debt portfolios(1)	154.3	205.1	228.9	85.4	86.7
Face value of debt purchased during the period(2)	1,824.5	2,343.8	1,586.1	675.2	632.5
Total price paid as % of face value(3)	8.5%	8.7%	14.4%	12.6%	13.7%
	(€ million, unless indicated)				
DACH Division					
Acquisitions of purchased debt portfolios(1)(4)	27.8	62.3	73.4	38.5	25.9
Face value of debt purchased during the period(2)	111.0	830.5	875.5	471.2	653.1
Total price paid as % of face value(3)	25.0%	7.5%	10.8%	8.2%	4.0%

(1) Acquisitions of purchased debt portfolios represents the purchase prices at the time the purchased debt portfolio was acquired. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition for the purchased debt becomes effective and on the acquisition closing date, when we recognize the purchased debt on our consolidated balance sheet.

(2) Face value of the purchased debt acquired during the period relates to the nominal value of receivables and may include any accrued interest, fees and costs at the time of purchase.

(3) The average total price paid for our purchased debt portfolios per annum is generally not comparable on a year-to-year basis. This is due to the varying characteristics of the purchased debt portfolios, such as the type, size, quality, industry and maturity profile, each of which can have a direct impact on the pricing of such portfolios. For example, if in a given year, the acquisitions of the purchased debt primarily comprise debt portfolios of fresher claims with a higher probability to pay, then our average total price paid for purchased debt in that period may be higher than a prior or subsequent period, independent of any general market trends in overall pricing.

(4) In the DACH Division, purchases of PayProtect debt include the respective day-one impairments (direct write-downs) for the purpose of our purchased debt business.

Our performance is dependent on our ability to purchase debt portfolios across all sectors that meet our minimum return criteria, which in turn is driven by the volume of debt made available for sale by debt originators and vendors, competitive dynamics and our ability to price portfolios accurately.

The volume of debt portfolios sold each year comes from (i) the book of defaulted debt in that year and (ii) the backlog of debt defaulted in prior years that remains unsold. The pricing of debt portfolios also affects the volume of debt portfolios sold each year, as it determines whether it is more economically attractive for a vendor to sell the debt or to warehouse it for further in-house or outsourced collections.

Competition also affects our ability to purchase portfolios. The majority of portfolios across all sectors are currently offered to the market through spot sales conducted through a competitive tender process, and we estimate, based on the most recently available data, that in the twelve months ended June 30, 2017, we were invited to participate in most of the tenders for non-performing debt in our targeted sectors in the UK and Germany. In recent years, we believe that there has been a trend towards increased concentration of the debt purchase industry around a small core group of purchasers. It is possible that there will be new entrants or companies re-entering the debt purchase market. See ''*Risk Factors—Risks Related to Our Business and Industry—We are active in competitive markets and may be unable to continue to successfully compete with businesses that may offer more attractive prices or have greater financial resources, less expensive funding or lower return requirements than we have*.'' We typically compete with one or two of these debt purchasers in the last stages of debt auctions. We compete mainly on the basis of price and compliance credentials. Pricing on portfolio purchases for both of our divisions is conducted at the Group level. See ''*Our Business—Debt Purchase.*''

While most of the debt portfolios are sold through competitive tender processes in spot sales, we have many long-standing relationships that have helped improve our portfolio-purchasing ability. For example, 61% of UK purchased portfolios for the year ended December 31, 2016 came from portfolios sold to us by clients with which we held a relationship with in 2010. We also purchase portfolios by entering into forward flow agreements, whereby we agree to purchase all or substantially all of the debt originator's debt sales, generally through a bilateral sale, subject to the debt originator's compliance with pre-agreed criteria. Since inception to period ended June 30, 2017, 40% of the value of our UK Division's debt portfolio purchases and 42% of the value of our DACH Division's debt portfolio purchases came from such forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase. As of June 30, 2017, our UK Division has completed or committed to portfolio purchases for the year ended December 31, 2017 of £132 million, which is equivalent to 58% of the total portfolio purchases completed in the year ended December 31, 2016. In the DACH Division, as of the same period, we have completed or committed portfolio purchases for the year ended December 31, 2017 of €26 million, which is equivalent to 27% of the total portfolio purchases completed in the year ended December 31, 2016.

The ability to purchase debt portfolios is also dependent on access to financing. Should we lose access to financing, we may not be able to make new acquisitions of debt portfolios. See ''*—Liquidity and Capital Resources*.''

Collections

Our primary sources of revenue are (i) the cash proceeds received from our collection efforts on the consumer accounts in our owned debt portfolios and (ii) fees and cost-reimbursements from our third-party collection services. In the twelve months ended June 30, 2017, 55% of our debt collections came from collections on owned portfolios and the remaining 45% came from third-party collection services. The majority of our paying consumers make their payments through long-term, low-installment plans. These installment plans typically see payments being made through automated and predictable methods such as direct debit.

The amount a consumer pays generally varies depending on the portion of the consumer's disposable income available to rectify his or her financial situation. We believe in offering our consumers the choice of clearing their outstanding balances through practical, affordable and personalized monthly installments in addition to one-off settlements. Our collections performance are therefore assisted by our ability to build, using our internal data intelligence systems, a detailed and dynamic understanding of our consumers' circumstances.

Since the financial year ended 2004, our UK Division has demonstrated collections growth each year. From the financial year ended August 31, 2007 to the twelve months ended June 30, 2017, it has grown its annual gross collections on owned portfolios from £50.8 million to £336.1 million, and despite the changing economic environment, actual collections closely followed the collection forecasts made before the financial crisis. As of June 30, 2017, these portfolios had a 120-month ERC of £1,437.8 million, generating a Gross Money Multiple of 2.4x (calculated based upon UK Division's ERC) on a cumulative basis.

Our DACH Division also, generally, has a strong track record in outperforming its initial collection forecasts on the portfolios purchased. For example, between September 30, 2003, when our DACH Division purchased its first debt portfolio, and June 30, 2017, it achieved Gross Collections of €912 million from these purchased portfolios and, as of June 30, 2017, these portfolios had a 180-month ERC of €609 million, generating a Gross Money Multiple of 3.2x (calculated based upon DACH Division's ERC) on a cumulative basis.

Management believes the historical resilience of its collections in this period of weak economic conditions was supported by:

- ***Low average payments and account diversification.*** During the twelve months ended June 30, 2017, our UK Division received approximately 1.3 million payments per month from consumers, with an average monthly payment of £21.03 for such period. In the DACH Division in the same period, we received from approximately 0.44 million active pay accounts an average monthly payment of €71. As of June 30, 2017, the average account balance in our UK Division's debt portfolios was £753, the average account balance in our DACH Division's debt portfolios, the calculation of which excluded high balance accounts, was €749 and the average account balance in our DACH Division's 3PC portfolios was €655. We believe that our low average monthly payments and the fact that our consumers are typically already in financial distress or unemployed have provided some degree of protection against changes in its consumers' disposable income.
- ***Predictable collections from recurring payment methods.*** Of our £336.1 million of UK Division collections on owned portfolios in the twelve months to June 30, 2017, 83% came from existing accounts already owned twelve months earlier. Across our UK Division's Backbook, as of June 30, 2017, the majority of our monthly collections came from recurring payments, such as direct debits and continuous payment authorizations on debit and credit cards. Similarly, of our €131 million of DACH Division collections on owned portfolios in the twelve months to June 30, 2017, 81% came from existing portfolios already owned twelve months earlier.
- ***Close performance monitoring and sophisticated data mining capabilities.*** By tracking the financial circumstances of individual consumers, we have been able to proactively adjust consumers' payment plans in a way we believe optimizes returns. Our UK Division's default rate among its paying consumers decreased from 9.1% to 6.5% between September 30, 2014 and June 30, 2017, calculated as the percentage of payment plans which make no payments in the month a payment was due, based on a three-month average. Our DACH Division's default rate decreased from 14.2% to 13.3% between September 30, 2014 and June 30, 2017, calculated as the percentage over a three-month period of collections compared to expected collections, which were derived by the last three months of agreed payments. We believe this approach both helps our consumers meet their obligations and helps us to reach our return targets. However, we may not always be able to adjust in such a way in the future. See ''*Risk Factors—Risks Related to Our Business and Industry—Our need to adapt to consumers' changing financial circumstances may result in increased servicing costs, reduced cash flow or imprecise modeling*.''

In addition, the volume of receivables outsourced to us on behalf of debt originators, and consequently our revenue from third-party collections services is linked to our historical ability to collect on defaulted debt and on our relationships with our third-party collection services clients, particularly in the DACH Division, including our ability to demonstrate strong collection levels. Our third-party collection revenue is generated both by the fees we receive from originators as part of the successful recovery of defaulted debt, as well as the fees and additional interest we receive from consumers, including cost reimbursement, as prescribed by law. Our third-party collection services clients actively manage the outsourcing process. Depending on how well we perform, our clients may release more claims to us or, conversely, if we have performed poorly compared to our peer group, reduce the number of claims that we service. We offer flexible pricing arrangements to our third-party collection services clients that are tailored to the specific circumstances of the client and the relevant claims to be outsourced. We believe that the benefits of our effective claims collection strategy result in long-standing client relationships, evidenced by entering into master servicing agreements to provide collection services on clients' debt and other defaulted receivables that we have not purchased.

Operational efficiency

Implementing an effective and efficient debt collection strategy at all stages of the collection life cycle is a key factor driving our revenue and operating expenses. Our debt collection process is standardized and highly automated, with the goal of maximizing the total amount collected over the life of the debt. We endeavor to foster payment solutions, such as bespoke repayment plans, that provide visibility on the cash collected and minimize default risk for consumers.

Our approach to collections is focused on delivering the highest net return on capital by optimizing costs versus collection potential. Historically, for example, from our UK Division's inception through June 30, 2017, in our UK Division we have only needed to collect from 27% of our consumer accounts in order to achieve our returns. To deliver our targeted returns on investments, we use collection strategies to decide the level of resources to deploy on each account. We conduct extensive empirical analysis on our consumers' ability and willingness to pay, which allows us to develop tailored collection strategies to optimize servicing efficiency and return on capital. For example, the ability to segment our DACH Division accounts, using internally developed scorecards, allows us to locate those accounts which are most able and/or likely to pay and simultaneously will increase our collection rates and optimize our costs.

Year-on-year and other period-on-period trends in our collection cost percentages are not necessarily indicative of our operational efficiency and the return on capital we can achieve on our acquired portfolios, as they are impacted by the varying characteristics of the portfolios we purchase in different years and differences in the timing of portfolio purchases during the year. Specifically, we believe that recent trends in our collection cost ratio have been driven by: (i) the characteristics of the purchased debt portfolio (*i.e.*, the industry or specific contractual arrangement of the debt); (ii) significant improvements in the operational efficiency of our collections team, primarily due to our implementation of a more automated and centralized debt collection function; (iii) changes in the volume of claims and other outstanding debt collected which can vary in any given period based on a number of factors outside of our control, such as the general macroeconomic condition in the UK, Germany, Austria, Switzerland, Croatia and Slovenia; and (iv) in the case of Germany, recent statutory increases to legal fees, which has improved our revenue. See ''—*Economic Conditions*.''

In the DACH Division, we have systematically carried out projects that have had, and that we believe will continue to have, a positive effect on our operations. We have divested a number of non-core activities and smaller businesses during the periods under review, including our operations in Spain. In addition to making strategic divestitures, we have made strategic DACH-region acquisitions to complement our collections processes, such as the acquisition of DMA in 2014, a data solution provider that sources information from more than 15 data information companies into one platform. The acquisition of DMA has afforded our decision science team a competitive advantage by providing them a multi-sourcing data information tool, and our DACH-region business has improved its collection processes by implementing internal initiatives such as our service center, which is a centralized automated hub for managing mail and processing millions of incoming and outgoing letters annually. In addition, we believe we will be able to further enhance our one-stop receivables management solution and our geographic footprint through our acquisitions of IS Inkasso Service, the Tesch Group and Apontas, see ''—*Acquisitions*.''

Our Adjusted EBITDA increased from £119.2 million for the six months ended June 30, 2016 to £149.3 million for the six months ended June 30, 2017. For the twelve months ended June 30, 2017, our Adjusted EBITDA was £284.4 million. Our operating profit increased from £50.6 million for the six months ended June 30, 2016 to £68.9 million for the six months ended June 30, 2017. Our operating profit was

£128.0 million for the twelve months ended June 30, 2017 and £109.8 million for the year ended December 31, 2016. See ''*Presentation of Financial and Other Information—Financial Information*'' and ''*Summary Consolidated Financial and Other Information for the Group—Other Group Financial and Operating Data.*''

In the period from July 31, 2009 to June 30, 2017, our annual collections per consumer representative FTE in our UK Division grew from £367,000 to £759,000. In the period from July 31, 2013 to June 30, 2017 (based on the respective last twelve month period) our gross collections per consumer representative FTE in our DACH Division grew from approximately €701,000 to €900,000, reflecting our ability to collect on its growing asset base over the period with increasing efficiency.

Regulatory considerations

Our results of operations are affected by a number of laws and regulations in the UK and EU. We are subject to regulatory and compliance requirements relating to labor, license requirements, consumer credit, debt collection, default interest calculation, statutes of limitation, data protection, anti-corruption, tax and VAT, handling of client funds and other regulatory regimes. We have detailed policies and procedures in place that are designed to foster compliance with applicable law and to ensure that compliance issues, if any, are identified and appropriately elevated within the organization. Our policy regarding regulatory compliance defines, among other things, governing principles regarding identification of governing laws and regulations, delegation of compliance responsibilities, guidelines on education and competence, testing and documentation of regulatory compliance control measures.

The regulatory environment for debt collection in the UK and EU requires considerable investment in processes, know-how and management. We have invested, and intend to continue to invest, a significant amount of financial and technical resources in order to achieve and maintain compliance with these requirements. From September 30, 2013 to June 30, 2017 in the UK Division, for example, we have increased the number of FTEs in our compliance team from 43 to 90.

In Germany, creditors have a long enforcement period against consumers as the statute of limitations to apply for and obtain enforcement title against consumers is generally three years and once obtained, the enforcement title is valid for 30 years. German law further regulates the fees that are charged by third-party debt collectors and third-party law firms engaged in the collection process. German law regulates whether, and how much, such fees may be passed on to the consumer for collection. Any new laws or regulations that may be adopted, as well as changes to existing laws or regulations, could constrain or prevent our ability to operate in Germany.

For further discussion of the regulations affecting us and the risks posed by these regulations, see ''*Regulation,*'' ''*Risk Factors—Risks Related to Our Business and Industry—We are subject to UK, German, and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business.*'' and ''*Industry and Market Data—Legal and Regulatory Framework*.''

Seasonality

We see limited seasonal fluctuations in our collections from portfolios, which tend to be lower for months in which there are fewer working days, for example in months with public holidays.

Acquisitions

Historically, we have a strong track record of selective and accretive expansion in the UK and DACH regions, as demonstrated by our UK Division's acquisition of Interlaken in 2013 and our DACH Division's acquisitions of DMA, ITT and more recent acquisitions of IS Inkasso Service, the Tesch Group and Apontas in 2016. We intend to participate opportunistically in the consolidation of the European receivables management industry in order to build scale, address untapped consumer segments and create new relationships with debt originators. We intend to strategically pursue further carve-out transactions with current clients and small, credit-accretive bolt-on acquisitions.

We have recently made certain strategic acquisitions to expand our geographic presence or enter complementary business activities.

Acquisitions affect our results of operations in several ways. First, our results for the period during which an acquisition takes place are affected by the inclusion of the results of the acquired business in our consolidated results. Because acquired businesses are included in our consolidation perimeter from the date of completion of each relevant acquisition, their full impact is only reflected in our financial statements in the subsequent period. In addition, the results of the acquired businesses after their acquisition may be impacted positively by synergies. For larger strategic acquisitions, we may experience a temporary increase in investments and both operational and personnel expenses as we integrate the acquired business into our network.

Because of changes in our corporate structure following a number of changes in ownership, we carry a significant amount of goodwill on our balance sheet (£1,018 million as of June 30, 2017). Goodwill is subject to an impairment test annually and whenever there are indications of impairment. We may record significant charges in our income statement in the event of impairment under IFRS. As a result of our acquisition accounting policies, our acquisition of entities that own debt portfolios may cause us to recognize fair value releases in subsequent financial statements which may affect our results. See *''Results of Operations—Description of the Group's Principal IFRS Consolidated Statement of Comprehensive Income Items—Portfolio fair value release.''*

Significant Factors Affecting Comparability

The historical financial information for the Group has been prepared by the Parent since it was incorporated on June 1, 2015. However, the Parent had no operations, and thus no financial results, until the GFKL Acquisition was completed on June 30, 2015 (the ''**GFKL Acquisition Completion Date**''). For the period beginning on the GFKL Acquisition Completion Date until the completion of the Lowell Acquisition on October 13, 2015 (the ''**Lowell Acquisition Completion Date**''), the financial results of the Parent only reflect our DACH Division's operations. Thereafter, the Parent's consolidated financial results reflected both our UK Division's and our DACH Division's operations. As a result, the Group does not have historical financial information for the full year ended December 31, 2015 for the combined group. In order to provide a more comparable period on period comparison for the year ended December 31, 2016 compared to the year ended December 31, 2015, we have included the *pro forma* consolidated financial information of the Parent for the year ended December 31, 2015 as if the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes had occurred on January 1, 2015. The *pro forma* consolidated financial information of the Parent for the year ended December 31, 2015 has been prepared solely for the purpose of this Offering Memorandum, and is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by our independent auditors. In addition, the *pro forma* consolidated financial information of the Parent for the year ended December 31, 2015 has been presented for illustrative purposes only and does not purport to represent what our financial results would have actually been had the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes occurred on the date assumed, nor does it purport to project our financial results for any future period or our financial condition at any future date.

Results of Operations

Description of the Group's Principal IFRS Consolidated Statement of Comprehensive Income Items

Below is a summary description of the key elements of the line items of the Unaudited Group Interim Condensed Consolidated Financial Statements for the six-month period ending June 30, 2017, which were prepared in accordance with IFRS. These line items are also among the financial data related to comprehensive income that appear in the Group Unaudited Condensed Consolidated Financial Information as of and for the six-month period ending June 30, 2016 and the twelve-month period ending June 30, 2017 and in the Group 2016 Audited Consolidated Financial Statements. See ''*Presentation of Financial and Other Information*'' for information regarding our financial information.

Income from portfolio investments

Income from portfolio investments (the Group's purchased debt portfolios) represents the yield from acquired portfolio investments, net of VAT where applicable. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition (*i.e.*, the price paid to acquire the asset).

These estimated future cash receipts are reflective of the conditions within the markets in which the Group operates and range from 84 months to 120 months.

Acquired portfolio investments are purchased at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Portfolio write-up

Increases in portfolio carrying values can and do occur should forecasted cashflows be deemed greater than previous estimates and because of the rolling nature of the period considered for estimated future cash receipts. Upward adjustments to carrying values as a result of reassessments to forecasted cashflows are recognized in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognized to date, an impairment is recognized in the Statement of Comprehensive Income.

Portfolio fair value release

Portfolio fair value adjustments are made as part of the purchase price allocations when the group acquires other companies. These adjust the value of the portfolios to fair value. The portfolio fair value release represents the unwinding of this fair value uplift. This uplift is being unwound in line with the profile of the gross ERC over an 84 month period from the date of acquisition in keeping with the standard collection curve profile in the UK.

Service revenue

Service revenue represents amounts receivable for tracing and debt collecting services (commissions and fees) provided to third-party clients including collection lawyers (including lawyer service revenue), net of VAT where applicable. The revenue is recognized when the service is provided (accrual basis) which in this case is when cash is collected from the consumer on behalf of the Group's client.

Collection activity costs

Collection activity costs represent the direct costs of collection related to our loan portfolios and services as a debt collection agency. Our main cost of sales is the cost of collection letters sent to our consumers, including printing and postage costs, and legal, court and other collection related activities. Other costs of sales include credit bureau data costs and commissions paid to third-party outsource providers.

Other expenses

Other expenses consist of operating expenses such as staff costs, office rent and other expenses related to the premises, depreciation of property, plant and equipment, and amortization of intangible assets, together with the write-down of non-performing loans, among other expenses.

Interest income

Interest income consists of the interest receivable on our bank accounts, and the fair value measurement of derivatives.

Finance costs

Finance costs consist of interest charges and fees on the Existing Notes and the Revolving Credit Facility, interest accruing on shareholder loan notes issued by our parent undertaking, together with losses on the fair value of financial instruments and foreign exchange losses.

Tax expense

The charge for taxation is based on trading results, and takes account of taxation deferred or accelerated because of timing differences between the treatments of certain items for taxation and accounting purposes, principally the treatment of capital expenditure, for which capital allowances allowable for taxation purposes differs from depreciation for accounting purposes, the timing and utilization of tax losses, and the non-deductibility of an element of the interest accruing on shareholder loans and shares.

Description of the Group's Principal IFRS Statement of Financial Position Items

Below is a summary description of portfolio investments, a key line item of the Unaudited Consolidated Interim Statement of Financial Position of the Group as of June 30, 2017. This line item is also among the financial data related to financial position that appears in Statement of Financial Position within the Group Consolidated Financial Statements for the year ending December 31, 2016.

Portfolio investments

Portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, which is their acquisition price, and are subsequently measured at amortized cost using the EIR method in accordance with IAS 39 (Financial Instruments).

The cash flow that each portfolio investment is expected to generate over the 12 months following the date of the statement of financial position is calculated, and this portion of each portfolio asset's carrying value is classified as current. The remaining portion of this carrying value is classified as non-current.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Consolidated Statement of Financial Position

Portfolio Investments

Portfolio investments increased by £55.0 million, or 6.6%, as of June 30, 2017 as compared to December 31, 2016.

Consolidated Statement of Comprehensive Income

The following table shows our results for the six-month period ended June 30, 2016 and the six-month period ended June 30, 2017.

	For the six months ended June 30,	
	2016	2017
£ millions	(unaudited)	
Income from portfolio investments	93.2	116.0
Portfolio write-up	37.9	57.4
Portfolio fair value release	(1.7)	(1.3)
Service revenue	71.6	86.0
Other revenue	1.3	1.6
Other income	1.7	0.6
Collection activity costs	(84.0)	(91.2)
Other expenses	(69.4)	(100.2)
Interest income	2.3	0.3
Finance costs	(67.8)	(82.1)
Loss before tax	**(15.0)**	**(12.9)**
Income tax (expense) / credit	(3.7)	3.3
Loss for the period	**(18.8)**	**(9.6)**

Income from portfolio investments

Income from portfolio investments increased by £22.8 million, or 24.4%, to £116.0 million for the six months ended June 30, 2017 from £93.2 million for the six months ended June 30, 2016, primarily due to a 28.8% increase in portfolio investments to £886.7 million as at June, 30 2017 from £688.2 million as at June 30, 2016.

Portfolio write-up

Portfolio write-up increased by £19.5 million, or 51.4%, to £57.4 million for the six months ended June 30, 2017 from £37.9 million for the six months ended June 30, 2016. The increase was primarily due to strong cash collection performance on the UK Division's backbook during the period, driven by an increase in litigation activity and other operational initiatives which led to an increase in portfolio write-ups for the six months ended June 30, 2017, compared to the six months ended June 30, 2016.

Portfolio fair value release

Portfolio fair value release decreased by £0.4 million, or 23.5%, to £1.3 million for the six months ended June 30, 2017 from £1.7 million for the six months ended June 30, 2016. Portfolio fair value adjustments are made as part of the purchase price allocations when the Group acquires other companies. These adjust the value of the portfolio to fair value. The portfolio fair value release represents the unwinding of the fair value uplift. The decrease is primarily due to the unwinding of the fair value uplift on portfolio valuation of the UK Division at the time of the Lowell Acquisition. There was a greater release in the early years due to the front loaded nature of the ERC curve, which was used as the basis for the release.

Service revenue

Service revenue increased by £14.4 million, or 20.1%, to £86.0 million for the six months ended June 30, 2017 from £71.6 million for the six months ended June 30, 2016. The increase was due to the DACH Division increasing the level of its third party debt under management, including the impact of the Tesch and IS Inkasso Service acquisitions, which rose by 21.2% to £9,638 million as of June 30, 2017 from £7,951 million as of June 30, 2016, together with the impact of sterling weakening.

Collection activity costs

Collection activity costs increased by £7.2 million, or 8.6%, to £91.2 million for the six months ended June 30, 2017 from £84.0 million for the six months ended June 30, 2016, primarily due to increased collection activity, including those in respect of Tesch and IS Inkasso Service, and the phased release of our UK Division's capitalized litigation costs, together with the impact of sterling weakening. Collections from purchased portfolios in the UK Division rose by £37.6 million, or 27.2%, to £176.0 million for the six months ended June 30, 2017 from £138.4 million in the six months ended June 30, 2016.

Other expenses

Other expenses increased by £30.8 million, or 44.5%, to £100.2 million for the six months ended June 30, 2017 from £69.4 million for the six months ended June 30, 2016. The increase is primarily due to an increase in personnel costs across the Group of £19.1 million as FTEs increased following the acquisitions of Tesch and IS Inkasso Service, increasing capacity by 343 FTEs to 2,890 FTEs for the six months ended June 30, 2017. The remaining increase in the Group is due to a variety of infrastructure expenses such as rental and IT charges due to larger group operations in addition to the impact of sterling weakening.

Interest income

Interest income decreased by £2.0 million to £0.3 million for the six months ended June 30, 2017 from £2.3 million for the six months ended June 30, 2016, primarily due to a foreign exchange gain of £1.9 million in the six months ended June 30, 2016. Excluding the foreign exchange gain, interest income decreased by £0.1 million.

Finance costs

Finance costs increased by £14.3 million, or 21.1%, to £82.1 million for the six months ended June 30, 2017 from £67.8 million for the six months ended June 30, 2016, primarily due to the issuance of the Existing 2021 Euro Notes of €230 million in September 2016 and the additional Existing 2021 Euro Notes of €175 million in April 2017. This resulted in additional interest expense of £5.4 million and £1.7 million in the six months to June 30, 2017 respectively to give total interest and fees on the Existing Senior Notes of £59.0 million. There is further interest expense of £2.9 million on the shareholder loan with Garfunkelux Holdco 1 S.à r.l. which has increased due to the interest on the loan being accrued and settled at maturity, resulting in total interest expense of £13.0 million. The remaining difference is predominantly due to foreign exchange as a result of sterling weakening.

Income tax expense

Income tax expense decreased by £7.0 million, or 189%, to a £3.3 million credit for the six months ended June 30, 2017 from a £3.7 million expense for the six months ended June 30, 2016, primarily due to non-deductible interest expenses in the six months ended June 30, 2016.

Year Ended December 31, 2016 Compared to the Period from June 1, 2015 (Date of Incorporation) to December 31, 2015 and also Compared to the *Pro Forma* Year Ended December 31, 2015

Consolidated Statement of Financial Position

Portfolio Investments

Portfolio investments increased by £215.2 million, or 34.9%, as of December 31, 2016 as compared to December 31, 2015.

Consolidated Statement of Comprehensive Income

Consolidated reporting for the Group has been carried out at the Parent since it was incorporated on June 1, 2015. However, the Parent had no operations, and thus no financial results, until the GFKL Acquisition was completed on June 30, 2015 (the ''**GFKL Acquisition Completion Date**''). For the period beginning on the GFKL Acquisition Completion Date until the completion of the Lowell Acquisition on October 13, 2015 (the ''**Lowell Acquisition Completion Date**''), the financial results of the Parent only reflect our DACH Division's operations. Thereafter, the Parent's consolidated financial results reflected both our UK Division's and our DACH Division's operations. We present the unaudited *pro forma* condensed consolidated financial information and other data derived from the Unaudited Pro Forma Condensed Consolidated Financial Information located elsewhere in this Offering Memorandum as of and for the year ended December 31, 2015 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith as if they had been consummated on January 1, 2015 for comparative purposes. See ''*Presentation of Financial and Other Information*'' and ''*Unaudited Pro Forma Condensed Consolidated Financial Information*'' for information regarding our *pro forma* financial information. The following table shows our actual results from incorporation of the Parent on June 1, 2015 to December 31, 2015, the year ended December 31, 2015 on a *pro forma* basis and the year ended December 31, 2016.

	For the period from June 1, 2015 (date of incorporation) to December 31, 2015[1]	For the year ended December 31,	
		Pro Forma 2015[2]	2016
£ millions	**(audited)**	**(unaudited)**	**(audited)**
Income from portfolio investments	52.5	172.1	199.3
Portfolio write-up	20.7	56.1	95.4
Portfolio fair value release	(0.6)	(3.3)	(3.4)
Service revenue	65.8	138.1	160.0
Other revenue	1.7	2.8	2.9
Other income	1.9	5.1	4.1
Collection activity costs	(68.5)	(152.8)	(181.4)
Other expenses	(73.5)	(151.5)	(167.2)
Interest income	3.3	3.7	0.7
Finance costs	(77.4)	(169.2)	(138.7)
Loss before tax	**(74.0)**	**(99.0)**	**(28.2)**
Income tax expense	5.5	7.1	(3.0)
Loss for the period	**(68.5)**	**(91.8)**	**(31.2)**

(1) Consolidated reporting for the Group has been carried out at the Parent since it was incorporated on June 1, 2015. However, the Parent had no operations, and thus no financial results, until the GFKL Acquisition was completed on June 30, 2015 (the ''**GFKL Acquisition Completion Date**''). For the period beginning on the GFKL Acquisition Completion Date until the completion of the Lowell Acquisition on October 13, 2015 (the ''**Lowell Acquisition Completion Date**''), the financial results

of the Parent only reflect our DACH Division's operations. Thereafter, the Parent's consolidated financial results reflected both our UK Division's and our DACH Division's operations.

(2) We present the unaudited *pro forma* condensed consolidated financial information and other data from the Unaudited Pro Forma Condensed Consolidated Financial Information as of and for the year ended December 31, 2015 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith as if they had been consummated on January 1, 2015 for comparative purposes. See "*Presentation of Financial and Other Information*" and "*Unaudited Pro Forma Condensed Consolidated Financial Information*" for information regarding our *pro forma* financial information.

Income from portfolio investments.

Income from portfolio investments was £199.3 million for the year ended December 31, 2016 compared to £52.5 million for the period ended December 31, 2015. On a *pro forma* basis, income from portfolio investments increased by £27.2 million, or 15.8%, to £199.3 million for the year ended December 31, 2016 from £172.1 million for the *pro forma* year ended December 31, 2015, primarily due to an increase in portfolio investments of £215.2 million, or 34.9%, to £831.7 million.

Portfolio write-up

Portfolio write-up was £95.4 million for the year ended December 31, 2016 compared to £20.7 million for the period ended December 31, 2015. On a *pro forma* basis, portfolio write-up increased by £39.3 million, or 70.1%, to £95.4 million for the year ended December 31, 2016 from £56.1 million for the *pro forma* year ended December 31, 2015, primarily due to strong cash collection on assets owned in the year ended December 31, 2016. This outperformance of actual cash collections compared to forecasted collections resulted in higher ERC, which generated a positive portfolio write up.

Portfolio fair value release

Portfolio fair value release was £3.4 million for the year ended December 31, 2016 compared to £0.6 million for the period ended December 31, 2015. On a *pro forma* basis, portfolio fair value release increased by £0.1 million, or 3%, to £3.4 million for the year ended December 31, 2016 from £3.3 million for the *pro forma* year ended December 31, 2015.

Service revenue

Service revenue was £160.0 million for the year ended December 31, 2016 compared to £65.8 million for the period ended December 31, 2015. On a *pro forma* basis, service revenue increased by £21.9 million, or 15.9%, to £160.0 million for the year ended December 31, 2016 from £138.1 million for the *pro forma* year ended December 31, 2015, primarily due to an increase in the face value of assets under management, including through the acquisitions of Tesch and IS Inkasso Service, resulting in an increase in the commission received on the accounts managed.

Collection activity costs

Collection activity costs were £181.4 million for the year ended December 31, 2016 compared to £68.5 million for the period ended December 31, 2015. On a pro forma basis, collection activity costs increased by £28.6 million, or 18.7%, to £181.4 million for the year ended December 31, 2016 from £152.8 million for the *pro forma* year ended December 31, 2015, primarily due to higher levels of collection activity and increasing levels of portfolios held due to larger Group operations. The increase was predominantly driven by the DACH Division, which saw overall collection costs increase primarily due to increased accounts under management, including the impact of the Tesch and IS Inkasso Service acquisitions. Our UK Division saw an overall collection costs increase primarily due to an increase in volumes of debt purchased. This resulted in collections from debt portfolios increasing by £75.5 million, or 23.3%, to £399.7 million from £324.2 million in the year ended December 31, 2015 for the Group.

Other expenses

Other expenses were £167.2 million for the year ended December 31, 2016 compared to £73.5 million for the period ended December 31, 2015. On a *pro forma* basis, other expenses increased by £15.7 million, or 10.4%, to £167.2 million for the year ended December 31, 2016 from £151.5 million for the *pro forma* year ended December 31, 2015. There was a one off expense of £6.2 million in relation to a trademark impairment for the year ended December 31, 2016 and acquisition costs for Metis Bidco Limited and GFKL Holdco of £12.2 million and £11.8 million, respectively, during the *pro forma* year ended December 31, 2015. Excluding these, other expenses would have increased by £33.5 million, or 26.3%, for the year ended December 31, 2016 primarily due to an increase in the average number of FTE's by 661, or 31.4%, as of the year ended December 31, 2016 compared to the year ended December 31, 2015. This was due the increased scale of the business following the IS Inkasso Service and Tesch acquisitions. The remaining increase is due to infrastructure and operating costs, reflecting the increase in the scale of operations, in addition to the impact of sterling weakening.

Interest income

Interest income was £0.7 million for the year ended December 31, 2016 compared to £3.3 million for the period ended December 31, 2015. On a *pro forma* basis, interest income decreased by £3.0 million to £0.7 million for the year ended December 31, 2016 from £3.7 million for the *pro forma* year ended December 31, 2015, primarily due to a £2.9 million foreign exchange gain in the *pro forma* year ended December 31, 2015. Excluding this foreign exchange gain, interest income would have decreased by £0.1 million.

Finance costs

Finance costs were £138.7 million for the year ended December 31, 2016 compared to £77.4 million for the period ended December 31, 2015. On a *pro forma* basis, finance costs decreased by £30.5 million, or 18.0%, to £138.7 million for the year ended December 31, 2016 from £169.2 million for the *pro forma* year ended December 31, 2015, primarily due to the incurrence of debt redemption fees for our UK Division of £38.2 million and a one-time loss of £1.5 million due to our DACH Division's redemption of existing indebtedness of Carl Holding GmbH during the *pro forma* year ended December 31, 2015. Excluding these redemption fees, finance costs would have increased by £9.2 million for the year ended December 31, 2016, which is primarily due to the issuance of the Existing 2021 Euro Notes of €230 million in September 2016 and an increase in the shareholder loan with Garfunkelux Holdco 1 S.à r.l. due to the interest on the loan being accrued and settled at maturity, increasing the interest expense by £2.6 million and £2.4 million respectively. The remaining difference is predominantly due to foreign exchange movements.

Income tax expense

Income tax expense was a £3.0 million expense for the year ended December 31, 2016 compared to a £5.5 million credit for the period ended December 31, 2015. On a *pro forma* basis, income tax expense decreased by £10.1 million, or 142.3%, to a £3.0 million expense for the year ended December 31, 2016 from a £7.1 million credit for the *pro forma* year ended December 31, 2015, primarily due to the tax impact of a reduction in the loss before tax of £70.8 million and a higher proportion of allowable interest expense for tax purposes.

Liquidity and Capital Resources

Historically, the Group's liquidity requirements consisted mainly of debt and tax servicing requirements, funding of its purchases of debt portfolios and acquisitions, capital expenditure and working capital and its principal sources of liquidity have been funds raised in connection with bond offerings, its net cash generated from operating activities (before debt portfolio purchases), borrowings under the Revolving Credit Facility, securitizations of purchased debt portfolios such as the Milla Securitization, and shareholder loans.

While the Group's collections have historically been predictable throughout the year, its debt purchase activity can vary greatly from one quarter to the next. This is driven by the timing of one-off debt sales by vendors during the year, the timing of which the Group does not control, along with its own desire to purchase a portfolio at a given point in time. This could lead to volatility in the Group's cash balances quarter on quarter.

The Group's ability to generate cash from operations depends on its 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 its control, as well as other factors discussed in the section titled ''*Risk Factors*.''

We believe that the combined operating cash flows of the Group, together with the cash resources and future borrowings under the Revolving Credit Facility, will be sufficient to fund our debt and tax servicing requirements as they become due, working capital requirements and anticipated debt purchases, although this may not be the case. In particular, future drawings under the Revolving Credit Facility will only be available if, among other things, we meet the financial covenants included in the Amended and Restated RCF Agreement. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*."

Cash Flow from Operating Activities

The following table sets forth the principal components of our cash flows for the six months ended June 30, 2017, the six months ended June 30, 2016 and the year ended December 31, 2016. A *pro forma* cash flow statement for the year ended December 31, 2015 was not created and is not included in the table below.

	For the Year ended December 31, 2016	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2017
	(in £ millions)		
	(audited)	(unaudited)	
Consolidated cash flow statement:			
Net cash from operating activities	(21.5)	(15.7)	(22.6)
Net cash from investing activities	(143.2)	(21.0)	(1.8)
Net cash from financing activities	149.3	(13.6)	16.7
Net increase/(decrease) from cash and cash equivalents	(15.4)	(50.3)	(7.6)
Cash and cash equivalents at the beginning of the period	106.9	106.9	98.1
Effect of movements in exchange rate on cash held	6.5	4.4	1.7
Cash and cash equivalents at the end of the period	**98.1**	**61.0**	**92.1**

Net cash generated from operating activities

The net cash outflow from operating activities for the six months ended June 30, 2017, was £22.5 million, as compared to £15.7 million for the six months ended June 30, 2016. This increase was primarily due to working capital movements, offset by finance costs.

The net cash outflow from operating activities for the year ended December 31, 2016, was £21.5 million, primarily due to working capital movements and finance costs.

Net cash generated from investing activities

The net cash outflow from investing activities for the six months ended June 30, 2017, was £(1.8) million, as compared to £21.0 million for the six months ended June 30, 2016. This decrease was primarily due to the acquisition of IS Inkasso Service in the six months ended June 30, 2016 which totaled £17.1 million. Excluding this, there was a decrease of £2.1 million primarily due to a reduction in intangible asset purchases in comparison to the six months ended June 30, 2016.

The net cash outflow from investing activities for the year ended December 31, 2016, was £143.2 million, primarily due to the purchase of IS Inkasso Service, the Tesch Group and Apontas.

Net cash generated from financing activities

The net cash inflow from financing activities for the six months ended June 30, 2017, was £16.7 million, as compared to £13.6 million outflow for the six months ended June 30, 2016. This increase was primarily due to the issuance of Senior Secured Notes, offset by interest payments on Existing Notes and the repayment of the outstanding Revolving Credit Facility.

The net cash inflow from financing activities for the year ended December 31, 2016, was £149.3 million, primarily due to the issuance of our Existing 2021 Euro Notes offset by the payment of interest on our Existing Sterling Notes and the Existing 2022 Euro Notes and the drawdown of our Revolving Credit Facility.

Capital Expenditure

The Group's capital expenditure consisted mainly of: (i) IT hardware, (ii) IT software and development, (iii) leasehold improvements, (iv) fixtures and fittings and (v) office equipment. In the twelve months ending June 30, 2017, the Group spent £4.1 million on the purchase of property, plant and equipment and £3.0 million on the purchase of intangible assets, which are primarily software and software development costs. The Group's budgeted capital expenditure for the financial year ending December 31, 2017 is £8.4 million.

Working Capital

The Group's working capital requirements have historically been low and typically consistent throughout the year. Furthermore, the Group has few supplier contracts, and therefore low and stable current debtors and creditors.

The Group's cash flow conversion for the six months ended June 30, 2017 has decreased to 59.6% compared to 85.2% for the six months ended June 30, 2016 as a result of movements in working capital driven by the significant (£49.0 million) portfolios purchased but not yet paid for as of December 31, 2016.

Qualitative and Quantitative Disclosures About Our Foreign Exchange Rate Risk, Interest Rate Risk, Market Risk and Credit Risk

The presentation of our results of operations may be affected by the translation of foreign currencies into pounds sterling for the purpose of our consolidated financial statements. We do not currently hedge any of our foreign exchange risks. Consequently, to the extent that foreign exchange rate exposures are not hedged, fluctuations in currencies may adversely or positively affect our financial results in ways unrelated to our operations. Any of these adverse developments could have a material adverse effect on our business, results of operations or financial condition.

We are exposed to changes in interest rates because we finance certain operations through both fixed and variable rate debt instruments. Changes in these rates may have an impact on future cash flow and earnings. We manage these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not enter into financial instruments for trading or speculative purposes.

By using derivative instruments, we are subject to credit and market risk. The fair market value of the derivative instruments is determined by using valuation models whose inputs are derived using market-observable inputs, including interest rate yield curves, and reflects the asset or liability position as of the end of each reporting period. When the fair value of a derivative contract is positive, the counterparty has an obligation to pay us, thus creating a receivable risk. We are also exposed to counterparty credit risk in the event of non-performance by counterparties to our derivative agreements. We seek to minimize counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating. Our exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

As of June 30, 2017, the Group had financial derivatives in the amount of £nil.

Market Risk—Brexit

We believe our exposure to risks related to Brexit in the markets in which we operate takes four primary forms: (i) risks related to changes in laws and regulations, (ii) risks posed by potential volatility in foreign exchange rates, (iii) the risk that the Brexit could result in a deterioration of general economic conditions and (iv) the risk that Brexit could reduce our access to the European market. The legal and regulatory environment post-Brexit is inherently uncertain, yet we believe the regulatory regimes in our markets have achieved a level of maturity and stability that may mitigate this risk.

With respect to the macroeconomic environment of the UK and Europe, if Brexit were to trigger a recession or period of prolonged economic uncertainty, management believes the effect on our business would be mixed. While an economic downturn may reduce our consumers' ability to pay, the sustainability of a majority of our payment plans as well as the countervailing effects of declining interest rates on our consumers' variable rate debt burden may mitigate this effect. Furthermore, a recession may increase the volume of non-performing loans in the market and provide us with more purchasing and contingent placement opportunities. Additionally, our ERCs are generally front-loaded, with approximately half of our collections realized in the first 24 months of the ERC curve (acting as a natural hedge against deteriorating economic conditions). Although Brexit presents an unprecedented set of changes, our performance during the most recent economic downturn leads management to believe that its business is well-positioned. In addition, we do not operate across borders, which reduces our exposure to any adverse consequences relating to market access within the European Union. In terms of the assets owned as at December 31, 2007, our UK Division outperformed its collections forecast as at this date both during the period 2008 - 2010, and thereafter to the current date, demonstrating both the resilience of the business and the accuracy of our ERC forecasting.

For more information on the risks posed by Brexit, see ''*Risk Factors—Risks Related to Our Business and Industry—The results of the UK's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business*.''

Credit risk

Credit risk is the risk of financial loss if a consumer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk from the concentration of consumer credit risk is limited due to the high number of individual consumers and the relatively low value of each of the individual's debts. As of June 30, 2017, the average balance on a consumer account was £753 in our UK Division and in our DACH Divisions debt purchase business €749 and in our DACH Division's third party business €655 excluding certain outlier high balance accounts. We believe that our low average monthly payments and the fact that our consumers are typically already in financial distress or unemployed have provided some degree of protection against changes in its consumers' disposable income.

Interest rate risk

Interest rate risk is the risk that the fair value of or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Under the terms of our Revolving Credit Facility, amounts drawn thereunder bear interest at a floating rate. Additionally, certain intercompany loans, the Existing 2021 Euro Notes (until the Existing Euro 2021 Notes are repaid in connection with the Transactions) and the Notes offered hereby will bear interest at a floating rate. In each instance the applicable rate of interest is or, in the case of the Notes, will be based on a specified benchmark interest rate that varies according to market conditions. Accordingly, if market conditions cause these benchmark interest rates to increase, our interest expense in respect of the Notes and amounts drawn under our Revolving Credit Facilities would also increase. As of June 30, 2017, the Revolving Credit Facility was undrawn and is expected to be undrawn as of the Issue Date (see ''*Risk Factors—Risks Related to Our Financial Profile—The Notes and drawings under the Revolving Credit Facility will bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow*'').

Significant Accounting Issues

IFRS 9 *Financial Instruments* is effective from January 1, 2018. The current application of the Effective Interest Rate with regards to purchased non-performing assets is thought to be largely in line with IFRS 9 however additional disclosure requirements, over and above those from IFRS 7, will be required (around compliance with applicable regulation and the management of risk). Management will continue to assess the impact of the three main areas of IFRS 9, being classification and measurement, impairment, and hedge accounting during the remainder of 2017.

IFRS 15 *Revenue from Contracts with Customers* is effective from January 1, 2018. IFRS 15 established a five step approach to accounting for revenue from contracts with customers. Management will continue assess the potential impact of adopting IFRS 15 during the remainder of 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE UK DIVISION'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the selected consolidated financial and operating data and the Group Consolidated Financial Statements, the Unaudited Group Interim Condensed Consolidated Financial Statements, the DACH Division Audited Consolidated Financial Statements and the UK Division Audited Consolidated Financial Statements and their respective notes included elsewhere in this Offering Memorandum. Where financial data in the following tables is labeled ''audited,'' this means that it has been taken from the UK Division Consolidated Financial Statements mentioned above. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the UK Division Consolidated Financial Statements mentioned above but rather was taken from the Issuer's internal reporting system, or has been calculated based on figures from these sources. The information below is not necessarily indicative of our future results of operations. The following discussion contains forward-looking statements that reflect our plans and estimates and our beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum particularly in the sections entitled ''Risk Factors'' and ''Forward-Looking Statements.''

In 2015, Metis Bidco Limited changed its financial year end from September 30 to December 31 in order to align the financial reporting schedule to calendar year end. Accordingly, the financial results for the UK Division Financial Year 2015 are presented as of December 31, 2015 and for the 15-month period from September 1, 2014 to December 31, 2015. As a result, the financial results for the UK Division Financial Year 2015 are not directly comparable to those for the year ended December 31, 2016 or the UK Division Financial Year 2014.

Certain financial information of our UK Division for the twelve months ended June 30, 2017 included elsewhere in this Offering Memorandum was derived by adding financial information of our UK Division for the six months ended June 30, 2017 derived from the Group's accounting records to financial information for the year ended December 31, 2016 derived from the Group 2016 Audited UK Financial Statements or the Group's accounting records and subtracting financial information of our UK Division for the six months ended June 30, 2016 derived from the Group's accounting records. This 12-month financial information has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of the Group's financial reporting and has not been audited.

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Adjusted EBITDA and ERC, among others. There can be no assurance that items we have identified for adjustment as non-recurring 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 UK Division's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies and Adjusted EBITDA may differ from ''Consolidated EBITDA'' as defined in the section ''Description of the Notes'' of this Offering Memorandum, Indenture and the Existing Indentures. 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 UK Division's 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 historical data below is not necessarily indicative of results of future operations and should be read in conjunction with ''Use of Proceeds,'' ''Capitalization'' and the Unaudited Group Interim Condensed Consolidated Financial Statements, the Group Consolidated Financial Statements, the Selected UK Division Consolidated Financial Information, the Selected DACH Division Consolidated Financial Information, the DACH Division Audited Consolidated Financial Statements and the UK Division Audited Consolidated Financial Statements and their respective notes thereto, which are included elsewhere in this Offering Memorandum.

Overview

Our UK Division is a leading purchaser of defaulted consumer debt portfolios in the UK. The three main sectors from which our UK Division primarily purchases debt portfolios are financial services, telecommunications and retail. Our UK Division typically purchases unsecured, low-balance consumer debt portfolios consisting of a high number of accounts, and it purchases these defaulted debt portfolios at a substantial discount to their face value. Our UK Division aims to collect the balances owed on the debt portfolios purchased through its in-house, technology-driven call center operations.

Headquartered in Leeds, with more than 1,632 full-time equivalent (''**FTE**'') employees, our UK Division benefits from significant scale and experience in its markets. We estimate that, in the twelve months ended December 31, 2016 our UK Division had a 38.5% share of purchases in the UK market. From our UK Division's inception in May 2004 to June 30, 2017, it has purchased 1,519 debt portfolios with an aggregate face value of £17.9 billion, having invested £1,303 million at an average price paid of 7.3 pence per pound sterling of the debt's face value.

Our UK Division recovers outstanding balances by offering consumers practical and affordable long-term payment plans tailor-made to their individual circumstances. Our UK Division's collection strategy is centered on its techniques for assessing a consumer's ability to pay through data intelligence and analytics. Because of the diversification of the debt portfolios on our UK Division's balance sheet across millions of accounts and its focus on establishing sustainable, long-term payment plans, we believe our UK Division's purchased debt portfolios provide significant and predictable cash flows. For example, as of June 30, 2017, our UK Division's ERC was £1,438 million. Our UK Division expects 39% of this ERC to be generated within the next 24 months and 62% on a cumulative basis to be generated within the next 48 months.

Illustrative Economics

The following table provides an overview of our UK Division's business model and illustrative economics as of and for the twelve months ended June 30, 2017:

Key Economics(1)	Principal value of purchased debt(2)	£17.9 billion
	Total price paid (as % of principal value)(3)	7.3%
	Portfolio purchase price(3)	£1,303 million
	Portfolio Investments	£230 million
	Revenue(4)	£253 million
	Collections on owned portfolios(5)	£336 million
	Gross collections(6)	£1,747 million
	ERC (120 months)	£1,438 million
	Gross money multiple(7)	2.45x
	Years to break even (gross basis)	1.9

(1) Key economics are presented as of and for the twelve months ended June 30, 2017 unless otherwise stated.

(2) Total since inception covers the period since our UK Division bought its first portfolio in June 2004 through June 30, 2017.

(3) Calculated using the same parameters as the principal value of purchased debt above. Portfolio purchase price was £228.9 million for the year ended December 31, 2016, £85.4 million for the six months ended June 30, 2016 and £86.7 million for the six months ended June 30, 2017.

(4) Revenue for the UK Division was £216.4 million for the year ended December 31, 2016, £96.4 million for the six months ended June 30, 2016 and £132.8 million for the six months ended June 30, 2017.

(5) Collections on owned portfolios for the UK Division was £298.5 million for the year ended December 31, 2016, £138.4 million for the six months ended June 30, 2016 and £176.2 million for the six months ended June 30, 2017.

(6) Represents Gross Collections for our UK Division from May 2004 to June 2017.

(7) Total expected cash return from purchased debt portfolios calculated as the sum of Gross Collections achieved to date and our UK Division's ERC divided by purchase price.

Significant Factors Affecting Results of the Debt Purchase Operations

Our UK Division's primary objective is to optimize the return potential of its debt portfolios, thereby maximizing cash generation and increasing the value of ERC. It aims to achieve this by:

(i) demonstrating pricing discipline when purchasing portfolios;

(ii) using data to optimize its portfolios' gross collection potential; and

(iii) protecting both its own and the debt originators' reputations by offering consumers practical, affordable and personalized long-term payment plans.

Portfolio purchases

Our UK Division typically purchases a large number of lower-value portfolios, which enables it to purchase portfolios regularly in order to expand its operations. As a result, the relative significance of individual debt originators changes from year to year. Our UK Division also seeks to adopt a diversified purchase strategy and as a result made portfolio purchases from 25 vendors of debt in the 12 months ended June 30, 2017. As of June 30, 2017, our UK Division's Backbook was made up of approximately 23.8 million accounts and 1,519 debt portfolios, 63% of which cost less than £0.5 million, with the 30 largest debt portfolios comprising only 24% of Gross ERC. During the twelve months ended June 30, 2017, our UK Division received approximately 1.3 million payments per month from consumers, with an average internal monthly payment of £21.03 for such period. As of June 30, 2017, the average account balance in its debt portfolio was £753. Our UK Division's debt portfolios are also diversified across three different sectors, with 56% originated in the financial services sector, 26% in the retail sector and 17% in the telecommunications sector (as of June 30, 2017 and based on purchase price).

From our UK Division's first full financial year ended August 31, 2005 to June 30, 2017, it has increased its cumulative investment in portfolios from £39.4 million to £1,302.5 million, its cumulative consumer accounts from approximately 0.6 million to approximately 23.8 million and its cumulative aggregate face value of debt from £0.5 billion to £17.9 billion.

The table below highlights the historical scale and stability of our UK Division's purchasing activity by setting forth our UK Division's cost of portfolios purchased, average price paid and number of portfolios purchased for the financial year ended August 31, 2007, through June 30, 2017. In any period, our UK Division purchases debt portfolios that can vary in age, type and ultimate collectability, which explains the year-on-year variation in average prices paid and account balance indicated in this table:

	For the UK Division Financial Year ended August 31,(2)						For the UK Division Financial Year ended September 30,(2)		For the UK Division Financial Year ended December 31,(2)		For the Six Months Ended June 30,(2)	Total Since
(unaudited)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Inception(3)
Portfolio purchase—cost (in £ millions)	49.8	60.0	65.8	57.9	70.0	90.7	124.4	162.2	227.3	228.9	86.7	1,303
Average price paid (p/£)	4.2	3.8	5.7	5.9	5.4	5.6	6.2	7.7	8.7	14.4	13.7	7.3
Number of portfolios purchased in the period(1)	79	91	65	67	65	113	129	162	227	244	121	1,519

(1) Similar accounts purchased from the same vendor in the same month are grouped together and recorded as one portfolio.

(2) The financial information presented in this chart relates to periods of unequal duration. See ''—*Significant Factors Affecting Comparability—Financial periods*.''

(3) Total since inception covers the period since our UK Division bought its first portfolio in June 2004 to June 30, 2017.

Our UK Division's performance is dependent on its ability to purchase debt portfolios across all sectors that meet its minimum return criteria, which in turn is driven by the volume of debt made available for sale by debt originators and vendors, competitive dynamics and our UK Division's ability to price portfolios accurately.

The volume of debt portfolios sold each year comes from (i) the book of defaulted debt in that year and (ii) the backlog of debt defaulted in prior years that remains unsold. The pricing of debt portfolios also affects the volume of debt portfolios sold each year, as it determines whether it is more economically attractive for a vendor to sell the debt or to warehouse it for further in-house or outsourced collections.

Competition also affects our UK Division's ability to purchase portfolios. The majority of portfolios across all sectors are currently offered to the market through spot sales conducted through a competitive tender process, and our UK Division estimates, based on the most recently available data, that in the twelve months ended June 30, 2017, it was invited to participate in most market tenders for non-performing debt in its targeted sectors in the UK. In recent years, we believe that there has been a trend towards increased concentration of the debt purchase industry around a small core group of purchasers. It is possible that there will be new entrants or companies re-entering the debt purchase market. See ''*Risk Factors—Risks Related to Our Business and Industry—We are active in competitive markets and may be unable to continue to successfully compete with businesses that may offer more* *attractive prices or have greater financial resources, less expensive funding or lower return requirements than we have*.'' Our UK Division typically competes with one or two of these debt purchasers in the last stages of debt auctions. Our UK Division competes mainly on the basis of price and compliance credentials, which we believe are enhanced by the following strengths:

- ***Price.*** Our UK Division's technology platform, data intelligence and automated pricing models provide it with both the ability to evaluate a portfolio for sale before it is purchased, and operational and commercial advantages, as the business benefits from efficiencies that can be passed on to debt originators in the form of more competitive prices. Our UK Division's integrated collection platform, together with its data-driven ability to identify and prioritize accounts according to their propensity to pay, allows it to achieve a strong servicing cost ratio. Management believes this cost efficiency is a key driver of its returns and therefore of its ability to compete effectively for the purchase of portfolios.

- ***Compliance.*** Because debt originators are highly aware of the reputational risks involved in selling portfolios of defaulted debt, our UK Division's track record of regulatory compliance and reputation for treating consumers fairly provides our UK Division with what we believe to be a strong competitive advantage.

While most of the debt portfolios are sold through competitive tender processes in spot sales, our UK Division has many long-standing relationships that have helped improve its portfolio-purchasing ability. For example, 61% of our UK Division's purchased portfolios for the year ended December 31, 2016 came from portfolios sold to our UK Division by clients with which it held a relationship with in 2010. Our UK Division also purchases portfolios by entering into forward flow agreements, whereby it agrees to purchase all or substantially all of the debt originator's debt sales, generally through a bilateral sale, subject to the debt originator's compliance with pre-agreed criteria. Since inception to period ended June 30, 2017, 40% of the value of our UK Division's debt portfolio purchases came from such forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase. As of June 30, 2017, our UK Division had completed or committed portfolio purchases for the financial year 2017 of £87 million, which is equivalent to 38% of the total portfolio purchases completed in the twelve months ended December 31, 2016.

The ability to purchase debt portfolios is also dependent on access to financing. Should the UK Division lose access to financing, it may not be able to make new acquisitions of debt portfolios. See ''—*Liquidity and Capital Resources*.''

Collections

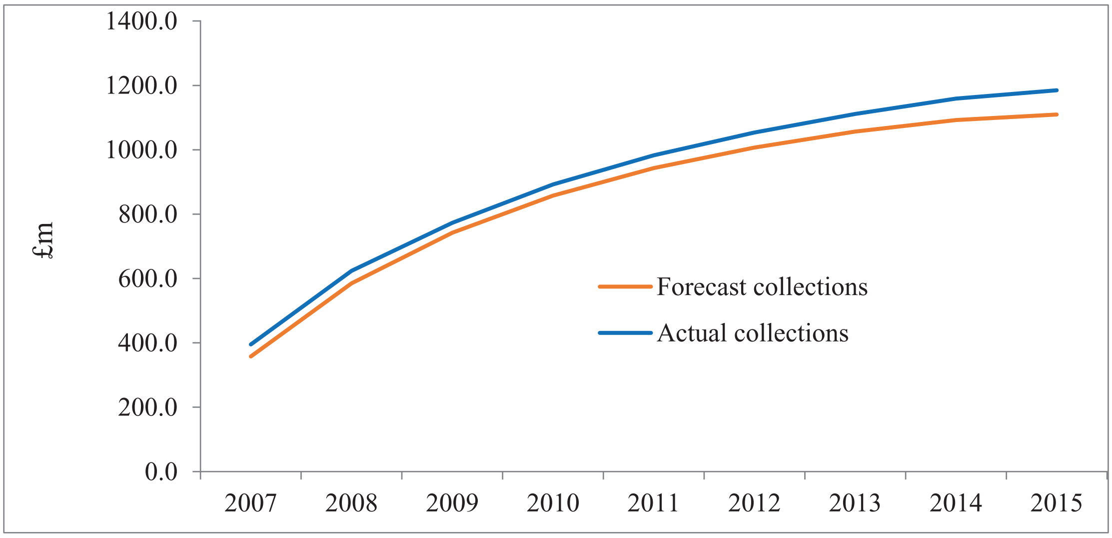
Our UK Division's primary source of revenue is the cash proceeds received from its collection efforts on the consumer accounts in its owned debt portfolios. In the twelve months ended June 30, 2017, 79% of its debt collections came from its in-house collection efforts and the remaining 21% came from third-party agents. In addition, for the same period, 78% of our UK Division's paying consumers made their payments through installment plans. These installment plans typically see payments being made through automated and predictable methods such as direct debit.

The amount a consumer pays generally varies depending on the portion of the consumer's disposable income available to rectify his or her financial situation. Our UK Division believes in offering its consumers the choice of clearing their outstanding balances through practical, affordable and personalized monthly installments in addition to one-off settlements. Our UK Division's collections performance is therefore assisted by its ability to build, using its internal data intelligence systems, a detailed and dynamic understanding of its consumers' circumstances.

Since the financial year ended 2004, our UK Division has demonstrated collection growth each year. From the financial year ended August 31, 2007 to the twelve months ended December 31, 2016, it has grown its annual gross collections on owned portfolios from £50.8 million to £298.5 million, and despite the changing economic environment, actual collections closely followed the collection forecasts made before the financial crisis.

The following chart illustrates our UK Division's cumulative Gross Collections (on portfolios over six months old) to January 31, 2016 compared to its cumulative monthly model collection expectations, which are based on our UK Division's ERC modeling, from the calendar year 2007. Since 2007, our

UK Division's actual collections are 107% of its collection expectation based upon our UK Division's ERC modeling despite the weak economic environment between 2008 and 2011.



Source: Management data. See "*Industry and Market Data*."

Management believes the historical resilience of its collections in this period of weak economic conditions was supported by:

- ***Low average payments and account diversification.*** During the twelve months ended June 30, 2017, our UK Division received approximately 1.3 million payments per month from consumers, with an average monthly payment of £21.03 for such period. As of June 30, 2017, the average account balance in our UK Division's debt portfolios was £753. We believe that our UK Division's low average monthly payments and the fact that its consumers are typically already in financial distress or unemployed have provided some degree of protection against changes in its consumers' disposable income. Our UK Division's current paying base is also not concentrated on any particular consumer demographic, such as geographic postcode or consumer age. As of June 30, 2017, our UK Division had a balanced mix of account sizes within its portfolios: 20% of its ERC was generated from accounts with a balance below £500, 54% from accounts with a balance between £501 and £1,500, 15% from accounts with a balance from £1,501 to £3,500 and 11% from accounts with a balance above £3,501.
- ***Predictable collections from recurring payment methods.*** Of our UK Division's £336 million of collections on owned portfolios in the twelve months to June 30, 2017, 83% came from existing accounts already owned twelve months earlier. Across the UK Division's Backbook, as of June 30, 2017, the majority of its monthly collections came from recurring payments, such as direct debits and continuous payment authorizations on debit and credit cards. Specifically, during the 12 months ended June 30, 2017, approximately 91% of payments from consumer accounts directly managed by our UK Division were made from these payment methods.
- ***Close performance monitoring and sophisticated data mining capabilities.*** By tracking the financial circumstances of individual consumers, our UK Division has been able to proactively adjust its consumers' payment plans in a way we believe optimizes returns. Our UK Division's default rate among its paying consumers decreased from 9.1% to 6.5% between September 30, 2014 and June 30, 2017, based on a three-month average. We believe this approach both helps our consumers meet their obligations and helps our UK Division to reach its return targets. However, our UK Division may not always be able to adjust in such a way in the future. See "*Risk Factors—Risks Related to Our Business and Industry—Our need to adapt to consumers' changing financial circumstances may result in increased servicing costs, reduced cash flow or imprecise modeling*."

Operational efficiency

Our UK Division's approach to collections is focused on delivering the highest net return on capital by optimizing costs versus collection potential. Historically, through June 30, 2017, our UK Division has only needed to collect from 27% of its consumer accounts in order to achieve its returns. To deliver its targeted returns on investments, our UK Division uses collection strategies to decide the level of resources to deploy on each account. It conducts extensive empirical analysis on its consumers' ability and willingness to pay, which allows it to develop tailored collection strategies to optimize servicing efficiency and return on capital.

In the period from July 31, 2009 to June 30, 2017, our UK Division's annual collections per consumer representative FTE grew from £367,000 to £759,000, reflecting our UK Division's ability to collect on its growing asset base over the period with increasing efficiency.

Trends in average monthly payments

Average monthly payments on a payment plan are driven by how much a consumer can afford, and are therefore intrinsically linked to that consumer's net disposable income. Over the period from September 2011 to June 2017, our UK Division has experienced a decrease in the average payment installments of its consumers (with average installment falling from £26.8 per month in the UK Division Financial Year 2012 to £21.03 per month in the twelve months to June 30, 2017). We believe this reduction was partly driven by economic conditions resulting in consumers having reduced disposable incomes and partly as a result of our UK Division's enhanced affordability checks to ensure it agrees sustainable payment plans with its consumers.

The trend in declining average payments increases the servicing cost ratio in the early phase of a portfolio's collection period, as collections in that phase are lower but the cost of establishing the payment plan is the same. A decline in average monthly collection may also have an effect on Adjusted EBITDA, which may be offset by an increase in the number of monthly payments. We believe the impact is a matter of timing and does not signify a drop in the overall amount of collections over the life of the account although the collection curve elongates. Over the life of the portfolio, we therefore expect the servicing cost ratio on portfolios to remain substantially the same. The downward trend in average payments was gradual, and as such has primarily impacted the phasing of collections on new portfolios. We also believe it has stabilized over the last six months. As our UK Division's financial results demonstrate, the trend in declining average payments did not prevent it from achieving its target performance on purchased portfolios over the period from September 2011 to June 30, 2017. By systematically tracking and analyzing performance trends on portfolios, our UK Division was able to proactively adjust the collection curves and cost profiles on the basis of which it priced these portfolios. Our UK Division may not always be able to adjust in such a way in the future. See ''*Risk Factors—Risks Related to Our Business—Our need to adapt to consumers' changing financial circumstances may result in increased servicing costs, reduced cash flow or imprecise modeling*.''

Regulatory considerations

Our UK Division's results of operations are affected by a number of laws and regulations. The regulatory environment for debt collection in the UK requires considerable investment in processes, know-how and management. Our UK Division has invested, and intends to continue to invest a significant amount of financial and technical resources in order to achieve and maintain compliance with these requirements. For further discussion of the regulations affecting our UK Division and the risks posed by these regulations, see ''*Regulation—Key Regulations Affecting Our UK Division*'' and ''*Risk Factors—Risks Related to Our Business and Industry—We are subject to UK, German, and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business—Regulations Affecting Our UK Division.*''

Asset base, operating cash generation and returns on portfolios purchased

Historically, our UK Division has experienced significant growth in its asset base and cash flow generation, which we believe is the result of (i) the growing volume of portfolios it has been able to purchase and (ii) the strong and stable return on capital it has delivered, which it attributes to its pricing discipline and the sophistication of its collection operations.

Asset base

Our UK Division has experienced significant growth in its asset base. Based on its models as of June 30, 2017, our UK Division expects that the aggregate face value of its owned portfolios of £17.9 billion will generate approximately £1,438 million in gross collections over the next 120 months. It expects approximately 39% of its ERC to be generated within the next 24 months and approximately 62% to be generated within the next 48 months. These expectations are based on historical data as well as assumptions about future collection rates. Our UK Division cannot guarantee that it will achieve such collections.

Our UK Division's ERC on owned portfolios as of June 30, 2017 by year of purchase

The following table sets forth our UK Division's ERC vintage by year:

Purchase Year	0 - 12 Months	12 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	61 - 72 Months	73 - 84 Months	85 - 96 Months	97 - 108 Months	109 - 120 Months	Total
2004	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.0
2005	0.5	0.5	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	3.1
2006	1.1	0.9	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	5.8
2007	2.0	1.6	1.3	1.1	0.9	0.8	0.7	0.7	0.6	0.6	10.2
2008	3.2	2.5	2.0	1.7	1.4	1.2	1.1	1.0	0.9	0.8	15.9
2009	5.2	4.1	3.3	2.6	2.2	2.0	1.7	1.6	1.4	1.2	25.3
2010	5.8	4.5	3.5	2.7	2.2	1.9	1.7	1.4	1.3	1.1	26.1
2011	11.4	8.7	6.8	5.4	4.4	3.9	3.4	3.0	2.6	2.3	51.9
2012	21.1	16.4	12.9	10.3	8.6	7.6	6.8	6.1	5.4	4.9	100.1
2013	30.6	23.1	18.1	14.3	11.8	10.3	9.0	7.9	7.0	6.2	138.3
2014	46.2	35.6	28.0	22.0	18.2	15.8	13.9	12.2	10.8	9.5	212.3
2015	66.6	50.7	39.9	31.6	26.4	23.1	20.5	18.3	16.3	14.6	308.0
2016	84.9	61.2	49.5	40.1	33.6	29.3	25.8	22.5	19.7	17.4	384.0
2017	41.8	29.3	20.6	15.9	12.7	10.4	8.4	6.7	5.5	4.6	155.7
Total	320.6	239.4	187.2	148.6	123.4	107.2	93.7	82.0	72.1	63.7	1,437.8
% of Total	22%	17%	13%	10%	9%	7%	7%	6%	5%	4%	100%
Cumulative %	22%	39%	52%	62%	71%	78%	85%	91%	96%	100%	

Source: Management data. See ''Presentation of Financial and Other Information'' and ''Industry and Market Data.''

For a description of our UK Division's portfolio valuation methods, see notes 1, 2 and 12 to the UK Division 2015 Audited Consolidated Financial Statements.

Operating cash generation

Two non-IFRS measures of cash generation used by management are Adjusted EBITDA and cash flow before debt and tax servicing, which represents Adjusted EBITDA less capital expenditure and working capital movement but excluding portfolio purchases. Our UK Division monitors these measures closely, as it considers them to represent the operating cash flow generation potential of the business available for the servicing of mandatory debt and taxation, before investment decisions in portfolio purchases, which are discretionary.

Our UK Division's business has been very cash generative. Between the financial year ended August 31, 2008 and the UK Division Financial Year 2015, Adjusted EBITDA increased from £56.3 million to £183.4 million. The following table sets forth our UK Division's Adjusted EBITDA for the periods indicated.

	UK GAAP						IFRS	
	For the UK Division Financial Year ended August 31,				For the UK Division Financial Year[4]		For the UK Division Financial Year[4]	
(unaudited) (£ in millions)	2008[2]	2009[3]	2010[3]	2011[3]	2012	2013	2014	2015
Adjusted EBITDA[1]	56.3	63.7	76.2	85.2	96.6	119.0	126.1	183.4

(1) Adjusted EBITDA represents collections on owned debt portfolios plus other turnover, less collection activity costs and other expenses (which, together, equals servicing costs) and before exceptional income, exceptional items and depreciation and

amortization. For additional information, see ''*Presentation of Financial and Other Information*.'' The table below sets forth a reconciliation of collections on owned portfolios to Adjusted EBITDA.

	UK GAAP						IFRS	
	For the UK Division Financial Year ended August 31,				For the UK Division Financial Year[(4)]		For the UK Division Financial Year[(4)]	
(unaudited) **(£ in millions)**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Collections on owned portfolios[(a)]	75.5	86.3	105.0	120.1	135.9	173.2	196.8	293.6
Other revenue/ turnover[(b)]	0.1	0.1	0.2	0.1	0.3	6.8	18.7	12.9
Exceptional income[(c)]	—	—	—	—	—	—	(5.2)	—
Servicing costs[(d)]	(20.1)	(23.7)	(30.3)	(38.2)	(43.2)	(67.0)	(96.6)	(130.6)
Depreciation/ amortization[(e)]	0.9	1.0	1.3	1.8	2.0	5.2	4.3	4.4
Exceptional items[(f)]	—	—	—	1.4	1.7	0.7	8.0	3.1
Adjusted EBITDA	**56.3**	**63.7**	**76.2**	**85.2**	**96.6**	**119.0**	**126.1**	**183.4**

(a) Collections on owned portfolios represents Gross Collections. Under UK GAAP, this is reported in our UK Division profit and loss account as collections on owned portfolios. Under IFRS, this is reported in the notes to the financial statements.

(b) Other revenue/turnover represents ''other revenue'' (under IFRS) or ''other turnover'' (UK GAAP).

(c) Exceptional income relates to the release of a provision for additional purchase consideration for the Interlaken acquisition. Certain conditions to payment of the additional consideration were not achieved, and therefore the additional consideration was no longer payable.

(d) Servicing costs represent the sum of ''collection activity costs'' and ''other expenses'' (under IFRS) or the sum of ''cost of sales,'' ''administrative expenses'' and ''depreciation'' (under UK GAAP).

(e) Depreciation represents the depreciation charge for the period for property, plant and equipment. Amortization represents the amortization charge for the period for intangible assets.

(f) Administrative/other expenses include several exceptional items that have been added back as exceptional items to reach Adjusted EBITDA. In the twelve months ended August 31, 2011, exceptional items included £1.4 million of exceptional bonus payments. In the UK Division Financial Year 2012, exceptional items included £1.4 million of exceptional bonus payments and £0.3 million of professional fees. In the UK Division Financial Year 2013, exceptional items included £0.7 million of exceptional professional costs. In the UK Division Financial Year 2014, exceptional items included £0.8 million of exceptional project fees and related professional fees of £7.2 million. In the UK Division Financial Year 2015, exceptional items included £0.3 million of exceptional compensation and redundancy costs and exceptional project fees and related professional fees of £2.8 million. Professional fees in relation to exceptional items are costs incurred in investigating future strategic business opportunities.

(2) The financial information presented in the tables above for the twelve months ended August 31, 2008 is derived solely from management accounts, since our UK Division carried out consolidated reporting for only six months of such period.

(3) For the twelve months ended August 31, 2009, 2010 and 2011, our UK Division's consolidated reporting was carried out at Lowell Group Limited.

(4) For the UK Division Financial Year 2013, the UK Division Financial Year 2014 and the UK Division Financial Year 2015, the UK Division's consolidated reporting was carried out at Metis Bidco Limited. The financial information presented in this table relates to periods of unequal duration. See ''*—Significant Factors Affecting Comparability—Financial periods*.''

The following table sets forth our UK Division's record of operating cash generation for the periods indicated. It also shows a reconciliation of increase/(decrease) in cash to cash flow before debt and tax servicing to Adjusted EBITDA in the period.

	IFRS	
	UK Division Financial Year[1]	
(£ in millions) (unaudited)	2014	2015
Increase/(Decrease) in cash in the period	19.1	(19.3)
Movement in debt[2]	(105.1)	(112.7)
Portfolio purchases[3]	162.2	227.3
Debt servicing[4]	38.8	75.2
Taxation servicing[5]	1.5	(2.6)
Other cash flows	—	—
Capital expenditure and financial investment[6]	4.9	3.3
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure[7]	**121.4**	**171.2**
Working capital[8]	4.7	12.2
Adjusted EBITDA[9]	**126.1**	**183.4**

(1) The financial information presented in this table relates to periods of unequal duration. See ''—*Significant Factors Affecting Comparability—Financial periods*.''

(2) The increase in debt in the UK Division Financial Year 2014 is due to the issue of a further £115 million in aggregate principal amount of senior secured notes in 2014. These notes were redeemed, all debt under the prior senior facilities agreement was repaid and the prior senior facilities agreement was cancelled. This redeemed and repaid debt was then replaced with a £493 million intercompany loan following the Lowell Acquisition.

(3) Portfolio purchases are the investments in new portfolios made during the year. See note 1 (Accounting Policies) to the UK Division 2015 Audited Consolidated Financial Statements. Portfolios of purchased debt are recognized on the balance sheet at the point the debt purchase contract is signed and our UK Division acquires legal title to the assets. In a number of instances the payment made for the portfolio of purchased debt occurs a few days after the contract is signed, and as a result may fall into a later accounting period. Any timing differences are recognized through the movement in working capital for the period.

(4) Debt servicing includes interest payments and fees in relation to certain prior debt obligations of our UK Division that were repaid in connection with the Lowell Acquisition. The increase in 2015 was primarily due to the incurrence of redemption debt fees of £38.2 million.

(5) Taxation servicing consists of the corporate tax payments made to HMRC relating to the tax charges that can be seen in the consolidated profit and loss account labeled ''income tax expense.'' The conversion to IFRS and the debt servicing fees referenced above resulted in corporation tax losses for our UK Division. This has resulted in minimal payments for corporation tax to HMRC and in some cases refunds of previous payments.

(6) Capital expenditure and financial investment represents investment in fixed assets for the business.

(7) Cash flow before interest, portfolio purchases, tax expenses and capital expenditure represents Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period. Management monitors cash flow before debt and tax servicing as a measure of the cash available to our UK Division to pay down or service debt, pay income taxes, purchase new debt portfolios and for other uses.

(8) Cash flow conversion in the year ended December 31, 2015 decreased compared to the year ended September 30, 2014 as a result of movement in working capital. The £7.5 million movement in working capital is mainly due to the deferral of upfront litigation costs onto the statement of financial position and the timing of cash received for direct payments, following a significant portfolio purchase in September 2015.

(9) Adjusted EBITDA represents cash collections on owned debt portfolios plus other turnover, less collection activity costs and other expenses (which, together, equals servicing costs) and before exceptional items, depreciation and amortization.

The table below demonstrates the UK Division's growing levels of cash flow before interest, portfolio purchases, tax expenses and capital expenditures over time. It also shows the high level of conversion of Adjusted EBITDA to cash flow before debt and tax servicing. Adjusted EBITDA has increased from £126.1 million in the UK Division Financial Year 2014 to £183.4 million in the 15-month UK Division

Financial Year 2015. In the same period, our UK Division has seen an average 93.3% conversion of Adjusted EBITDA into cash flow before debt and tax servicing.

	UK Division Financial Year(1)	
(unaudited)	2014	2015
Adjusted EBITDA	126.1	183.4
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	121.4	171.2
Cash flow conversion	96.3%	93.3%

(1) The financial information presented in this table relates to periods of unequal duration. See "*—Significant Factors Affecting Comparability—Financial periods*."

Returns on portfolio purchases

While returns achieved on an individual portfolio can vary, our UK Division has a record of generating strong and consistent returns on its aggregate purchased portfolios. Based on historical and expected collections, as of June 30, 2017, its ERC was £1,437.8 million. The table below sets forth certain data related to our UK Division's purchased debt portfolios and other defaulted receivables by vintage, such as purchase price, collections, our UK Division's ERC and Gross Money Multiple incorporating our UK Division's ERC as of June 30, 2017.

Vintage	Purchase Price(1)	Gross Collections	FV of Purchased Debt	ERC(2)	Gross Collections plus 120-month ERC	Gross Money Multiple(3)
(unaudited)	(£ millions)		(£ billions)			
2004	16.0	30.5	0.3	1.0	31.5	2.0x
2005	32.3	46.8	0.3	3.1	49.8	1.5x
2006	41.0	96.4	0.8	5.8	102.2	2.5x
2007	57.2	112.4	1.5	10.2	122.6	2.1x
2008	61.8	135.5	1.5	15.9	151.4	2.5x
2009	62.7	164.5	1.0	25.3	189.8	3.0x
2010	60.9	136.6	1.1	26.1	162.6	2.7x
2011	73.6	158.4	1.4	51.9	210.3	2.9x
2012	110.8	195.6	1.7	100.1	295.7	2.7x
2013	111.2	183.4	2.0	138.3	321.7	2.9x
2014	154.3	205.0	1.8	212.3	417.4	2.7x
2015	205.1	173.9	2.3	308.0	481.9	2.4x
2016	228.9	102.1	1.6	384.0	486.2	2.1x
2017	86.7	6.0	0.6	155.7	161.8	1.9x
Total	**1,302.5**	**1,747.2**	**17.9**	**1,437.8**	**3,185.0**	**2.4x**

(1) Purchase price represents the purchase price at the time the purchased debt portfolio was acquired. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition for the purchased debt becomes effective and the acquisition closing date, when our UK Division recognizes the purchased debt on its consolidated balance sheet.

(2) Estimated Remaining Collections (ERC) is the future collections projected to be received on all of our UK Division's purchased debt portfolios based on our forecasting models. As of today, our UK Division forecasts collections over a 120-month period. The ERC figures presented in this Offering Memorandum is a different and distinct measure from the collection forecasts that the UK Division uses to value its purchased debt on its consolidated balance sheets.

(3) Gross Money Multiple is the total expected cash return from purchased debt portfolios calculated as the sum of Gross Collections achieved to date and our UK Division's ERC divided by purchase price. The Gross Money Multiples for our UK Division's early vintages are impacted by the business going through its initial growth cycle. Vintages during the financial crisis benefit from our UK Division's leveraging of its growing data asset to enhance both pricing and operational capability and thereby drive increased collection performance. More recent vintages have primarily not had the benefit of time as these older vintages have, as Gross Money Multiple is based on collections to date.

For more information on how our UK Division calculates ERC and Gross Money Multiples, see "*Presentation of Financial and Other Information—Non-Financial Operating Data*."

Seasonality

Our UK Division sees limited seasonal fluctuations in its collection from portfolios, with collections within portfolios tending to be lower for months in which there are fewer working days, for example in months with public holidays.

Significant Factors Affecting Results of the Third Party Collections Operation

Our UK Division operates a third-party debt collection operation through its subsidiary Interlaken, acquired on May 16, 2013.

This business is much smaller than our UK Division's core debt purchase business in terms of financial contribution. The primary objective of the servicing business is to optimize returns by attracting profitable placements of debt from third-party debt originators. Our UK Division aims to achieve this by:

(i) protecting both its own and the debt originators' reputations by offering consumers practical, affordable and personalized long-term payment plans; and

(ii) using data to optimize its portfolios' gross collection potential.

As of June 30, 2017, Interlaken had £379.8 million of third-party debt under its management relating to various third parties, excluding debt managed for our UK Division, representing 467.4 thousand active consumer accounts.

Our UK Division's debt collection business is affected by the volume and mix of debt passed to it from clients. There are no contractual commitments within the agreements determining the volume of accounts that clients will pass to our UK Division at any given time, or the stage those accounts are in. As a result, our UK Division's business can see fluctuations in income depending on what volume and quality of debt is passed to it. The table below shows how placement volumes have varied month on month in the six months ended December 31, 2016.

	July-16	Aug-16	Sept-16	Oct-16	Nov-16	Dec-16
Placement volumes ('000)	90	98	115	109	116	101
Placement (£m)	64	56	68	61	67	61

Most costs associated with collection are incurred up front, in tracing and contacting consumers and setting up payment plans. The breakeven point can vary significantly with some taking two months and some taking up to three years, however, there is no provision in place within the agreements not to sell or recall the debt prior to it breaking even.

Significant Factors Affecting Comparability

Financial periods

The UK Division 2015 Audited Consolidated Financial Statements and UK Division 2014 Audited Consolidated Financial Statements present financial information from periods of differing length. The UK Division 2014 Audited Consolidated Financial Statements, from which the UK Division Financial Year 2014 figures were derived, represent the financial results for the 12-month period from October 1, 2013 until September 30, 2014. The UK Division 2015 Audited Consolidated Financial Statements represent our UK Division's financial results for the 15-month period from September 30, 2014 to December 31, 2015. For further discussion of these changes in the length of our UK Division's financial reporting periods, see ''*Presentation of Financial and Other Information—Financial Information—UK Division.*''

Given that the financial results for the UK Division Financial Year 2015 and the UK Division Financial Year 2014 represent our UK Division's financial performance over 15- and 12-month periods, respectively, these results are not directly comparable.

Results of Operations

Description of our UK Division's Principal IFRS Consolidated Statement of Comprehensive Income Items

Below is a summary description of the key elements of the line items of our UK Division's Consolidated Statement of Comprehensive Income for the twelve-month UK Division Financial Year 2014 and the 15-month UK Division Financial Year 2015, both prepared in accordance with IFRS.

Income from portfolio investments

Income from portfolio investments (our UK Division's purchased debt portfolios) represents the yield from acquired portfolio investments, net of VAT, all of which arose in the UK. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortized cost using the effective interest method.

The effective interest rate (''**EIR**'') is the rate that exactly discounts 84 months of estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition (*i.e.*, the price paid to acquire the asset). An initial EIR is determined at the acquisition of the portfolio investment, and if required reassessed for up to twelve months after the acquisition to reflect refinements made to estimates of future cash flows based on actual data collected during that time period. It is not subsequently changed and this does not have a material impact on the accounts.

Acquired portfolio investments are purchased at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

When an individual portfolio's carrying value is completely reduced, our UK Division recognizes collections as revenue as they are received.

Portfolio write up

Upward adjustments to carrying values as a result of reassessments to forecasted cashflows are recognized in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognized to date, a provision for impairment is recognized as a separate Statement of Comprehensive Income line item.

Portfolio fair value release

As part of the acquisition accounting around the purchase of Lowell Group Limited by Metis Bidco Limited on September 15, 2011, the portfolio investments were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift. This uplift is being unwound in line with the profile of our UK Division's ERC over an 84-month period from the date of acquisition, in keeping with a standard collection curve profile. This results in over 50% being released in the first 24 months and almost 80% in 48 months.

Other revenue

Other revenue represents amounts receivable for tracing and debt collecting services (commissions) provided to the debt collection industry, net of VAT, all of which arose in the UK. The revenue is recognized when the service is provided (accrual basis) which in this case is when cash is collected from the consumer on behalf of our UK Division's client.

Collection activity costs

Collection activity costs consist of the direct costs of collection related to our UK Division's loan portfolios and services as a debt collection agency. Our UK Division's main cost of sales is the cost of collection letters sent to its consumers, including printing and postage costs. Other costs of sales include credit bureau data costs, commissions paid to third-party outsource providers and legal costs associated with collections.

Other expenses

Other expenses consist of operating expenses such as staff costs, depreciation of property, plant and equipment, and amortization of intangible assets, among other expenses.

Interest income

Interest income consists of the interest receivable on our UK Division's bank accounts.

Finance costs

Finance costs consist of interest charges and fees on certain prior debt obligations of our UK Division that were repaid in connection with the Lowell Acquisition, as well as interest accruing on preference shares and intercompany loan notes issued by our UK Division's parent undertaking and certain other parties.

Income tax expense

The charge for taxation is based on trading results, and takes account of taxation deferred or accelerated because of timing differences between the treatments of certain items for taxation and accounting purposes, principally the treatment of capital expenditure, for which depreciation allowable for taxation purposes differs from depreciation for accounting purposes and the non-deductibility of interest accruing on preference shares.

Description of our UK Division's Principal IFRS Statement of Financial Position Items

Below is a summary description of the key elements of the line items of our UK Division's Consolidated Statement of Financial Position as of September 30 2014 and December 31, 2015, both prepared in accordance with IFRS.

Portfolio investments

Portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, which is their acquisition price, and are subsequently measured at amortized cost using the effective interest rate method in accordance with IAS 39 (Financial Instruments).

The cash flow that each portfolio investment is expected to generate over the twelve months following the date of the statement of financial position is calculated, and this portion of each portfolio asset's carrying value is classified as current. The remaining portion of this carrying value is classified as non-current.

UK Division Financial Year 2015 Compared to UK Division Financial Year 2014

Consolidated Statement of Financial Position

Portfolio Investments

Portfolio investments increased by £124.0 million, or 33.7%, to £492.3 million as of December 31, 2015 from £368.3 million as of September 30, 2014, due to increased new portfolio purchases in the UK Division Financial Year 2015 of £227.3 million and over-performance of these portfolios and existing portfolios, which led to a positive portfolio write-up of £33.5 million. This was offset by cash collections in excess of income from portfolio investments of £132.3 million.

Consolidated Statement of Comprehensive Income

The following table shows our UK Division's results for the twelve-month UK Division Financial Year 2014 and the 15-month UK Division Financial Year 2015 and the period-to-period change.

	For the UK Division Financial Year		
	2014	**2015**	**Change in %**
	(in £ millions) (audited)		
Income from portfolio investments	107.1	161.3	50.6
Portfolio write-up	25.3	33.5	32.4
Portfolio fair value release	(4.9)	(4.5)	(8.2)
Other revenue	18.7	12.9	(31.0)
Collection activity costs	(33.5)	(51.9)	54.9
Other expenses	(63.1)	(78.8)	24.9
Interest income	0.1	0.0	(60.0)
Finance costs	(63.9)	(123.0)	92.5
Loss before tax	**(14.2)**	**(50.3)**	**254.2**
Income tax expense	(1.9)	3.6	(289.5)
Loss for the period attributable to equity shareholders	**(16.1)**	**(46.7)**	**190.1**

Income from portfolio investments

Income from portfolio investments increased by £54.2 million, or 50.6%, to £161.3 million for the UK Division Financial Year 2015 from £107.1 million for the UK Division Financial Year 2014, primarily due to new portfolio purchases and strong collection performance on assets owned in the 15 months ended December 2015. Based on unaudited management information, income from portfolio investments increased by 18% for the twelve months ended September 30, 2015 when compared to the twelve months ended September 30, 2014.

Portfolio write-up

Portfolio write up increased by £8.2 million, or 32.4%, to £33.5 million for the UK Division Financial Year 2015 from £25.3 million for the UK Division Financial Year 2014, due to outperformance of actual cash collections compared to forecast collections along with the impact of higher collections as a result of significantly increased litigation activity in the UK Division Financial Year 2015. Based on unaudited management information, portfolio write-ups increased by 16% for the twelve months ended September 30, 2015 when compared to the twelve months ended September 30, 2014.

Portfolio fair value release

Portfolio fair value release decreased by £0.4 million, or 8.2%, to £4.5 million for the UK Division Financial Year 2015 from £4.9 million for the UK Division Financial Year 2014, due to the uplift being unwound in line with the profile of our UK Division's ERC over an 84-month period, resulting in a higher release in the earlier years. Based on unaudited management information, portfolio fair value release decreased by 23% for the twelve months ended September 30, 2015 when compared to the twelve months ended September 30, 2014.

Other revenue

Other revenue decreased by £5.8 million, or 31.0%, to £12.9 million for the UK Division Financial Year 2015 from £18.7 million for the UK Division Financial Year 2014. The UK Division Financial Year 2014 included one-off income of £5.2 million for the release of an accrued contingent consideration relating to the acquisition of Interlaken. In addition, other revenue decreased due to the decision to rationalize the client panel of the 3PC business and the removal of certain members. Based on unaudited management information, other revenue decreased by 43% for the twelve months ended September 30, 2015 when compared to the twelve months ended September 30, 2014.

Collection activity costs

Collection activity costs increased by £18.4 million, or 54.9%, to £51.9 million for the UK Division Financial Year 2015 from £33.5 million for the UK Division Financial Year 2014, due to a significant increase in litigation costs. The increase in recognized litigation costs was due to the phased release of our UK Division's capitalized litigation costs. Our UK Division recognizes litigation costs in line with its collection profits. Based on unaudited management information, collection activity costs increased by 20% for the twelve months ended September 30, 2015 when compared to the twelve months ended September 30, 2014.

Other expenses

Other expenses increased by £15.7 million, or 24.9%, to £78.8 million for the UK Division Financial Year 2015 from £63.1 million for the UK Division Financial Year 2014, due to the 15-month period for the UK Division Financial Year 2015, an increase in the average headcount over the respective period of 154 FTEs and the additional investment in infrastructure to further improve the stability and resilience of our UK Division's IT platforms. Based on unaudited management information, other expenses decreased by 3% for the twelve months ended September 30, 2015 when compared to the twelve months ended September 30, 2014.

Interest income

Interest income decreased by £0.1 million, or 65.4%, to £0.0 million for the UK Division Financial Year 2015 from £0.1 million for the UK Division Financial Year 2014. Based on unaudited management information, interest income decreased by 73.8% for the twelve months ended September 30, 2015 when compared to the twelve months ended September 30, 2014.

Finance costs

Finance costs increased by £59.1 million, or 92.3%, to £123.0 million for the UK Division Financial Year 2015 from £63.9 million for the UK Division Financial Year 2014, due to the redemption of senior secured notes in connection with the Lowell Acquisition (£200 million, £75 million and £115 million) on October 13, 2015, the payment of an early redemption fee of £28.1 million and the release of outstanding set-up fees of £6.9 million to the statement of comprehensive income. In addition, a revolving credit facility for £215 million was terminated on October 13, 2015, which resulted in the release of outstanding set-up fees of £5.5 million to the Statement of Comprehensive Income. Based on unaudited management information, finance costs increased by 7% for the twelve months ended September 30, 2015 when compared to the twelve months ended September 30, 2014.

Income tax expense

In 2015 there was an income tax credit of £3.6 million compared to an income tax expense of £1.9 million in 2014. The movement from a tax charge to a tax credit was primarily due to an increase in tax deductible finance costs in 2015 (due to bond redemption fees, release of set-up costs and intra-group loan interest), which was partially off-set by an increase in operating profit of £23 million. Based on unaudited management information, income tax expense increased by 4% for the twelve months ended September 30, 2015 when compared to the twelve months ended September 30, 2014.

Cash Flow from Operating Activities

The following table sets forth the principal components of our UK Division's cash flows, prepared in accordance with IFRS, for the 15-month UK Division Financial Year 2015 and the twelve-month UK Division Financial Year 2014.

	IFRS	
	For the UK Division Financial Year(1)	
	2014	2015
	(in £ millions) (audited)	
Consolidated cash flow statement:		
Net cash from operating activities	(81.2)	(128.8)
Net cash from investing activities	(4.7)	(3.3)
Net cash from financing activities	105.1	112.7
Net increase/(decrease) from cash and cash equivalents	19.1	(19.3)
Cash and cash equivalents at the beginning of the period	15.3	34.4
Cash and cash equivalents at the end of the period	**34.4**	**15.1**

(1) The financial information presented in this chart relates to periods of unequal duration. See ''—*Significant Factors Affecting Comparability—Financial periods*.''

Net cash generated from operating activities

The net cash outflow from operating activities for the UK Division Financial Year 2015 was £128.8 million, as compared to £81.2 million for the UK Division Financial Year 2014. The increase in cash outflow was primarily due to the increase in portfolio purchases in UK Division Financial Year 2015 and the redemption costs relating to the bonds.

Net cash generated from investing activities

The net cash outflow from investing activities for the UK Division Financial Year 2015 was £3.3 million compared to £4.7 million for the UK Division Financial Year 2014. The decrease in cash used in investing activities was primarily the result of a reduction in investment of property, plant and equipment, due to the relocation of our UK Division's headquarters in UK Division Financial Year 2014.

Net cash generated from financing activities

The net cash inflow from financing for the UK Division Financial Year 2015 was £112.7 million compared to £105.1 million for UK Division Financial Year 2014. This change in financing cash flows was primarily related to changes in the funding structure.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE DACH DIVISION'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the selected consolidated financial and operating data and the consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum. The DACH Division Consolidated Financial Statements were prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (Handelsgesetzbuch) and were audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer) by E&Y Germany which issued an unqualified auditor's report thereon in each case. Where financial data in the following tables is labelled ''audited'', this means that it has been taken from the DACH Division Consolidated Financial Statements mentioned above. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the DACH Division Consolidated Financial Statements mentioned above but rather was taken from the Issuer's internal reporting system, or has been calculated based on figures from these sources. The following discussion contains forward-looking statements that reflect our DACH Division's plans and estimates and our beliefs. Our DACH Division's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum particularly in the sections entitled ''Risk Factors'' and ''Forward-Looking Statements.''

Our DACH Division changed its accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement'' and adjusted the prior-year comparative figures as of and for the year ended December 31, 2014 retrospectively with effect to January 1, 2014 in the DACH Division 2015 Audited Consolidated Financial Statements. In the DACH Division 2014 Audited Consolidated Financial Statements, our DACH Division measured ''Non-performing loans and receivables acquired for settlement'' at fair value and recognized these financial instruments at fair value through profit or loss. As part of the integration in the Group and for ease of comparison with international competitors, our DACH Division recognized in the DACH Division 2015 Consolidated Financial Statements ''Non-performing loans and receivables acquired for settlement'' at amortized costs using the effective interest method. For additional information see Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements.

Certain financial information of our DACH Division for the twelve months ended June 30, 2017 included elsewhere in this Offering Memorandum was derived by adding financial information of our DACH Division for the six months ended June 30, 2017 derived from the Group's accounting records to financial information for the year ended December 31, 2016 derived from the Group 2016 Audited Consolidated Financial Statements or the Group's accounting records and subtracting financial information of our DACH Division for the six months ended June 30, 2016 derived from the Group's accounting records. This 12-month financial information has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of the Group's financial reporting and has not been audited.

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Adjusted EBITDA and ERC, among others. There can be no assurance that items we have identified for adjustment as non-recurring 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 DACH Division's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies, and Adjusted EBITDA may differ from ''Consolidated EBITDA'' contained in the section ''Description of the Notes'' of this Offering Memorandum, the Indenture and the Existing Indentures. 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 DACH Division's 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 historical data below is not necessarily indicative of results of future operations and should be read in conjunction with ''Use of Proceeds,'' ''Capitalization,'' ''Selected Consolidated Financial Information,'' *and the Unaudited Group Interim Condensed Consolidated Financial Statements, the Group Consolidated Financial Statements, the DACH Division Consolidated Financial Statements and the UK Division Consolidated Financial Statements, including the respective notes thereto, which are included elsewhere in this Offering Memorandum.*

Overview

Our DACH Division specializes in third-party collections, debt purchase and the provision of value-added services for unsecured consumer debt. Our DACH Division provides debt collection services to, and acquires portfolios of defaulted debt from, our DACH Division's clients, which are primarily corporate originators of consumer credit. Our DACH Division is a non-captive company, which means the debt it services stems from originators outside of our DACH Division. As of December 31, 2016, our DACH Division held market-leading positions in the insurance and fitness sectors and top-five positions in the banking, e-commerce, telecommunications and public sectors, as well as a top 10 positions in the retail and utilities sectors in Germany measured by 2016 revenue. For the year ended December 31, 2016, our DACH Division generated revenue of €290.3 million.

Our DACH Division provides its clients with a comprehensive approach to receivables management, including:

- *Third-Party Collection Services.* Our DACH Division provides debt collection and other receivables management services that are tailored to its clients' needs to help them improve cash flows from the recovery of outstanding balances from their debtors. Our DACH Division's offering covers all stages of the debt collection process, from amicable collections to litigation, enforcement and long-term monitoring. In addition, our DACH Division provides its clients with a range of value-added services, including payment and risk management solutions and data information services. These value-added services generally help our DACH Division to be involved earlier in the debt recovery process and ultimately builds stronger client relationships. These value added services complement our DACH Division's core service offerings and differentiate it from competitors when it comes to new business opportunities. Our DACH Division also has a successful track record of carving out and acquiring its clients' existing in-house debt collection operations, including staff transfers, in exchange for multi-year collection agreements. For the twelve months ended June 30, 2017, 51.4% of our DACH Division's revenue, excluding lawyer service revenue and other services revenue (representing the sum of ''services and programming revenue,'' ''maintenance revenue and royalties'' and ''other'' in the notes to the DACH Division 2015 Audited Consolidated Financial Statements) was generated from its third-party collection services business. Lawyer service revenue is excluded as our DACH Division typically earns service revenue from lawyers only where it has engaged such lawyers to assist with its collection efforts, however, this revenue does not have a positive impact on our DACH Pro Forma Normalized Adjusted EBITDA or net income as the fees paid to the lawyers are higher than the related service revenue earned by our DACH Division.
- *Debt Purchase.* Our DACH Division acquires unsecured, non-performing and defaulted debt portfolios from its clients, generally at a discount to the principal value of the debt. Our DACH Division uses a market-standard approach to pricing debt portfolios, which, together with its collection effectiveness, has enabled it to achieve actual collections on purchased debt portfolios that have exceeded projected recoveries. As of June 30, 2017, our DACH Division's Gross Collections since September 30, 2003 cumulatively exceeded the original forecast generated at the time of purchase by 22%. Our DACH Division's debt purchase has been successful in engaging clients in ''forward flow agreements'' in which our DACH Division has agreed to purchase an amount of NPLs over a defined period of time at a pre-agreed price. As of June 30, 2017, 42% of our DACH Division's purchased portfolios were acquired in forward flow agreements, representing €199 million in debt purchased since September 30, 2003. Between September 30, 2003 and June 30, 2017, our DACH Division has invested approximately €480 million to acquire debt portfolios with an aggregate principal amount outstanding at the time of purchase (this amount may include accrued interest and fees at that time) of €5.6 billion. Over the same period, our DACH Division's Gross Collections were €912 million from purchased portfolios, representing 1.9x its aggregate investment over more than 13 years, and had gross estimated remaining collections over a 180-month period of €609 million as of June 30, 2017, generating a Gross Money Multiple of 3.2x on a cumulative basis. The Gross Money Multiple represents the total expected cash return from purchased debt portfolios, calculated as the sum of Gross Collections achieved from September 30, 2003 to June 30, 2017 and our DACH Division's ERC divided by the purchase price.

For the twelve months ended June 30, 2017, 48.4% of our DACH Division's revenue excluding lawyer service revenue and other services revenue was generated from our DACH Division's debt purchase business.

As a result of our DACH Division's favorable position in an attractive market and its leading practices and services, our DACH Division has enjoyed a strong record of returns, growth and improved profitability. For example, from 2013 to 2016, our DACH Division's revenue grew at a CAGR of 15.1%. As of June 30, 2017, our DACH Division employed 1,256 FTEs, operating in 20 locations Germany, Austria, Switzerland, Croatia and Slovenia, of which 15 locations are in Germany, including our DACH Division's headquarters in Essen. Our DACH Division production teams, which consist of 645 FTEs as of June 30, 2017, are comprised of FTEs in our DACH Division's call centers, receivables management and decision science team, and are located at each of its major operating centers.

Illustrative Economics

- Our DACH Division's third-party collection services business manages overdue claims on behalf of its clients. As of June 30, 2017, our DACH Division had €11.0 billion of third-party debt under management, which generated €112 million (excluding lawyer service revenue and other services revenue) of revenue for the twelve months ended June 30, 2017;
- Our DACH Division's debt purchase business acquires portfolios of defaulted debt from clients, typically at a discount to the outstanding principal value. The principal value at the time of purchase of our DACH Division's purchased debt acquired between September 30, 2003 and June 30, 2017 amounted to €5.6 billion. The purchase price totaled €480 million or 8.6% of principal value on average for debt purchased between September 30, 2003 and June 30, 2017. Based on our Gross Collections as of June 30, 2017 and our DACH Division's ERC, our DACH Division expects to collect, including collections to date, 3.2x the purchase price over the next 180 months on the portfolios that we owned as of June 30, 2017.

The following table provides an overview of our DACH Division's illustrative economics as of and for the twelve months ended June 30, 2017, unless otherwise indicated.

Key Economics[(1)]	Third-party debt under management	€11.0 billion	Principal value of purchased debt[(4)]	€5.6 billion
	Collections (3PC)	€320 million	Total price paid (as % of principal value)[(5)]	8.6%
	Revenue from third-party collection services[(2)]	€112 million	Portfolio purchase price[(6)]	€480 million
	Total revenue[(3)]	€302 million	Gross collections[(6)]	€912 million
	3PC Revenue (as a % of 3PC collections)	35%	ERC (180 months)	€609 million
			Gross money multiple[(7)]	3.2x
			Years to break even (gross basis)	2.3

(1) Key economics are presented as of and for the twelve months ended June 30, 2017 unless otherwise stated.

(2) Excludes lawyer service revenue and other services revenue. Revenue from third-party collection services was €92 million for the year ended December 31, 2016, €39 million for the six months ended June 30, 2016 and €59 million for the six months ended June 30, 2017.

(3) Revenue for our DACH Division was €290 million for the year ended December 31, 2016, €136 million for the six months ended June 30, 2016 and €148 million for the six months ended June 30, 2017.

(4) Includes purchased debt since 2003 through June 30, 2017. Principal value of purchased debt is calculated as the principal amount that may include accrued interest and fees at the time of purchase of debt portfolios since 2003.

(5) Calculated using the same parameters as the principal value of purchased debt above.

(6) Represents Gross Collections for our DACH Division from September 2003 through June 2017.

(7) Total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved from September 30, 2003 through June 30, 2017 and our DACH Division's ERC divided by purchase price.

Factors Affecting Our DACH Division's Results of Operations

Our DACH Division's business and results of operations, as well as the key operating metrics discussed below, have been, and are expected to continue to be, affected by certain key factors including, in particular, level of debt and other defaulted receivables available for third-party collection and for purchase, the price at which we purchase portfolios of debt and other defaulted receivables, competition for portfolios and third-party collection contracts and pricing, gross collection levels, collection costs and operational efficiency, economic conditions and regulatory considerations. Each of these factors is discussed in more detail below.

Level of Consumer Debt and Other Defaulted Receivables Available for Third-Party Collections and Purchase

Our DACH Division's results of operations are linked to the overall level of defaulted consumer debt and other defaulted receivables available for third-party collection and for purchase in Germany. The amount of addressable debt is therefore dependent on the following three key factors:

- *The overall level of outstanding unsecured consumer credit in the market.* Germany is the largest European economy and benefits from a large consumer credit industry. We anticipate that improving macroeconomic conditions in Germany will drive further growth of the amount of unsecured consumer credit outstanding.
- *Stable default rates.* Germany boasts a large flow of unsecured defaulted consumer debt being created each year. Consumer defaults are a structural component of consumer lending and certain volumes of defaults on consumer debt can be expected to occur throughout the credit cycle. As a result, originators typically manage their pricing to a target default level in accordance with such expectations. Further, default rates have been and are expected to remain broadly stable in Germany as a result of improved macroeconomic conditions such as growing GDP, low interest rates, decreasing unemployment rates and low inflation.
- *The increasing propensity of creditors to outsource their receivables management function.* Outsourcing receivables collections can be achieved through third-party collection contracts with, or the sale of defaulted debt portfolios to, specialized receivable management companies. Recently, the German market has benefited from a trend whereby more German corporations have sought to outsource their receivable management functions. We believe the trend to outsource the collection of outstanding debt and other receivables has been driven, in part, by corporations' desire to focus on core activities instead of non-core debt collection functions. Further, some sectors that have traditionally kept debt collection functions in-house, such as public utilities, are beginning to outsource their debt collection functions, as third-party debt collectors and purchasers tend to achieve greater collection levels. We believe our DACH Division has significant opportunities to expand further, within both third-party collection services and debt purchases as we expect the trend for corporations to outsource their debt collection and receivables management functions to continue. There are strong potential benefits for creditors in further outsourcing their debt recovery activities, including but not limited to a higher recovery rate, a lower cost to achieve recoveries and the ability to focus on the originator's core business. See ''*Industry and Market Data.*''

Origination of New Business in Both our DACH Division's Third-Party Collection Services and Debt Purchasing Businesses

Our DACH Division's ability to generate new business from its existing clients and procure new client contracts in both its third-party collection services and debt purchase businesses has been a key driver of our DACH Division's results of operations in the periods under review and will continue to be a key driver of our DACH Division's growth and profitability going forward.

We believe that maintaining high customer satisfaction has a direct impact on our number of long-term relationships and new business opportunities. Our DACH Division's strong client relationships are evidenced by the fact that it has worked with many of its key originator clients for three or more years. In addition, 69% of our DACH Division's revenue for the year ended December 31, 2016 was generated from clients with which it had already established a relationship as of 2010. For the year ended December 31, 2016, our DACH Division's top 10 clients across its two core businesses accounted for in aggregate 55% of our DACH Division's third-party collection services and debt purchasing revenue (excluding lawyer service revenue and other services revenue), and approximately 89% of the face value of our DACH Division's purchased debt portfolios was acquired from repeat clients. Our DACH Division's strong relationships with its clients are further evidenced by its contract retention. For example, 88% of the revenue that our DACH Division generated from its third-party collection services and debt purchase business for the year ended December 31, 2016 (excluding lawyer service revenue and other services revenue) was from clients with which our DACH Division had contracts as of January 1, 2016. We believe these strong relationships with our DACH Division's clients have provided it with both a steady stream of repeat business and revenue visibility.

In addition to maintaining long-standing relationships with its clients, our DACH Division has enjoyed a strong track record of gaining new business. Between January 1, 2014 and December 31, 2016, our

DACH Division increased the new business receivables under contract (3PC) by 2.03 million files. Our DACH Division continues to attract new contracts, especially with large, well-known companies, adding 26 contracts in 2014, 53 in 2015, 44 in 2016 and 28 in the first six months of 2017.

Purchases of Debt Portfolios and Other Defaulted Receivables at the Right Price

Our DACH Division's ability to purchase debt portfolios and other defaulted receivables at the right price has been a key driver of its results of operations in the periods under review and will continue to be a key driver going forward. Purchased debt consists mainly of portfolios of debt and other defaulted receivables purchased at prices at a discount to the face value. Before purchasing portfolios, our DACH Division engages in a strict due diligence and valuation process to determine what price our DACH Division should offer to the client, see *''Our Business—Debt Portfolio Purchase—Our DACH Division's Debt Portfolio Purchasing.''* We believe that since our DACH Division purchased its first debt portfolio in 2003, our DACH Division has improved its ability to effectively price and accurately predict future collections our DACH Division realizes on its purchased debt portfolios. Our DACH Division's cautious and diligent approach has, we believe, led to a significant financial outperformance of its existing portfolios since 2003. Our DACH Division's performance is dependent on its ability to purchase debt portfolios and other defaulted receivables that meet its investment criteria, including prices that generate an appropriate return on purchased debt. After purchasing a portfolio, our DACH Division's performance is further dependent on its ability to generate collections at or in excess of its expectations for that portfolio.

As of June 30, 2017, our DACH Division owned 350 unsecured portfolios of defaulted debt consisting of approximately 7.0 million accounts. Between September 30, 2003 and June 30, 2017, our DACH Division's Gross Collections on purchased portfolios represented 1.9x its total initial investments of €480 million. Its portfolios are expected to continue to yield predictable cash flows, with 180-month ERC as of June 30, 2017 of €609 million, resulting in an expected total Gross Money Multiple of 3.2x (calculated including our DACH Division's ERC) on portfolios purchased as of June 30, 2017. A substantial portion of our DACH Division's ERC is expected to be generated from older vintages of debt portfolios for which our DACH Division has solid historical visibility on portfolio performance over time. Gross Collections on purchased debt increased from €111.5 million for the year ended December 31, 2015 to €123.6 million for the year ended December 31, 2016 and to €131.0 million in the twelve months ended June 30, 2017, primarily due to new portfolio acquisitions.

The table below presents information on the portfolios of unsecured debt and other defaulted receivables that our DACH Division purchased during the periods under review. In any period, our DACH Division purchases portfolios of debt that can vary in age, size, type and ultimate collectability, which, together with the supply and demand dynamics in the market, results in period-to-period variation in average prices paid and face value purchased.

	For the year ended December 31,	
	2014	2015
	(€ million, unless indicated) (unaudited)	
Acquisitions of purchased debt portfolios(1)	27.8	62.3
Face value of debt purchased during the period(2)	111.0	830.5
Total price paid as % of face value(3)	25.0%	7.5%

(1) Acquisitions of purchased debt portfolios represents the purchase prices at the time the purchased debt portfolio was acquired. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition for the purchased debt becomes effective and on the acquisition closing date, when our DACH Division recognizes the purchased debt on its consolidated balance sheet. Purchases of PayProtect debt include the respective day-one impairments (direct write-downs) for the purpose of our DACH Division's purchased debt business. For the year ended December 31, 2014, direct write-downs totaled €0.6 million. For the year ended December 31, 2015, direct write-downs totaled €1.3 million.

(2) Face value of the purchased debt acquired during the period relates to the nominal value of receivables excluding any accrued interest, fees and costs at the time of purchase.

(3) The average total price paid for our DACH Division's purchased debt portfolios per annum is generally not comparable on a year-to-year basis. This is due to the varying characteristics of the purchased debt portfolios, such as the type, size, quality, industry and maturity profile, each of which can have a direct impact on the pricing of such portfolios. For example, if in a

given year, the acquisitions of the purchased debt primarily comprise debt portfolios of fresher claims with a higher probability to pay, then our DACH Division's average total price paid for purchased debt in that period may be higher than a prior or subsequent period, independent of any general market trends in overall pricing.

There are two principal models for purchasing portfolios of debt: spot sale agreements and forward flow agreements. In a spot sale, we agree to buy a portfolio of claims that we receive in one transaction upon payment. In Germany, spot sales are mostly conducted through auctions, especially in the financial services sector. In a forward flow agreement, we agree to buy claims with predetermined characteristics at a pre-defined price or price range for a given volume from a client on an ongoing basis. See ''*Our Business—Debt Purchase—Debt Portfolio Purchase—Types of Debt Purchase Agreements*.'' In the period from September 30, 2003 to June 30, 2017, 42% of our DACH Division's portfolios were purchased in forward flow agreements, representing €199.2 million in purchased debt, while 58%, or €280.4 million, of portfolios were purchased in spot sales since September 30, 2003. We believe our DACH Division's ability to secure and renew forward flow agreements is a key driver of its performance as these increase client retention and thereby provide greater earnings visibility. Since 2008, more than 50% of our DACH Division's purchased debt was purchased under forward flow agreements and forward flow purchases have increased as a percentage of its total debt purchases since 2008.

We expect to be able to finance our DACH Division's debt purchases primarily with cash generated from its operating activities, borrowings under the Revolving Credit Facility and potentially other sources of funding. See ''*—Liquidity and Capital Resources*'' for additional information on the funding of our DACH Division's portfolio purchases and see ''*—Economic Conditions*'' for additional information on the effects of economic conditions on its business and results of operations.

Competition and Pricing

Competition and pricing levels in the market in which it operates affect our DACH Division's ability to successfully and profitably purchase portfolios of debt and other defaulted receivables and carry out its debt collection services. The German receivables management market is fragmented, consisting of many large corporates and smaller companies. We believe the strong performance of the larger German receivables companies as compared to the rest of the market in terms of revenue growth has historically been driven by the ability to leverage economies-of-scale as competitive advantages as well as by organic and inorganic growth. These scale effects include being able to cover multiple sectors, acquire and retain well-known clients and pursue multiple growth opportunities. For example, our DACH Division's diversified, full-service platform provides a ''one-stop'' receivables management solution for its clients, with a wide range of services throughout the debt collection value chain, including outsourced collection services, purchases of debt portfolios and other receivables management services.

In addition, we believe that our DACH Division's diversified business model increases its strategic flexibility, enabling it to allocate resources efficiently and opportunistically to its third-party collection services or debt purchase businesses in response to market conditions and portfolio pricing cycles. Similarly, our DACH Division's varied industry exposure allows it to allocate its focus and commercial efforts across the business sectors it services and, as a result, our DACH Division is able to benefit from divergent trends and evolving pricing cycles. For example, for the twelve months ended June 30, 2017, our DACH Division's third-party collection services business generated approximately 23% of its revenue from the financial services sector, with 4%, 9% and 15% derived from the retail, telecommunications and other sectors, respectively. For the same period, our DACH Division's debt purchase business derived 16%, 13%, 9% and 4% of its revenue from the financial services, retail, telecommunications and fitness sectors, respectively. See ''*Risk Factors—Risks Related to Our Business and Industry—We are active in competitive markets and may be unable to continue to successfully compete with businesses that may offer more attractive prices or have greater financial resources, less expensive funding or lower return requirements than we have.*''

Gross Collection and Revenue Levels

Our DACH Division primarily generates revenue from: (i) fees and cost-reimbursements from its third-party collection services and (ii) income from collections received from consumers linked to claims in its purchased debt portfolios. The ability and willingness of a consumer to pay depends on several factors, such as his or her employment status, the availability of funds and asset ownership. We believe that our DACH Division's business benefits from the quality of the data that it can gather about a consumer's circumstances and the analysis that our DACH Division performs on such data in order to confirm the consumer's employment status and/or his or her level of asset ownership. Such data and analytical capabilities help our DACH Division assess the consumer's ability or willingness to pay and ultimately determine the best collection strategy for each individual. We believe that our DACH Division's business benefits from the bespoke nature of its collection process, whereby it tailors repayment plans to the individual situation of the relevant consumers.

Germany is a particularly attractive market for the management of defaulted debt, as receivables management companies are able to generate income from a combination of fees and interest that are charged to the consumer and fees charged to the originator. In addition, in Germany, debt remains collectable for a longer period than many other jurisdictions, which provides additional collection opportunities. For example, creditors in Germany have a long enforcement period against consumers, as the statute of limitations for prosecuting debt claims is 30 years after obtaining an enforcement title. See ''*Industry and Market Data—Legal and Regulatory Framework—Germany—Enforcement of Claims under German Law*.''

Gross Collection Levels in our DACH Division's Third-Party Collection Services Business

The volume of receivables outsourced to our DACH Division on behalf of debt originators, and consequently its revenue from third-party collections services is linked to its historical ability to collect on defaulted debt and on its relationships with its third-party collection services clients, including its ability to demonstrate strong collection levels. Our DACH Division's revenue is generated both by the fees it receives from originators as part of the successful recovery of defaulted debt, as well as the fees and additional interest it receives from consumers, including cost reimbursement, as prescribed by law. Our DACH Division's third-party collection services clients actively manage the outsourcing process. Depending on how well our DACH Division performs, its clients may release more claims to our DACH Division or, conversely, if our DACH Division has performed poorly compared to its peer group, reduce the number of claims that it services. Our DACH Division offers flexible pricing arrangements to its third-party collection services clients that are tailored to the specific circumstances of the client and the relevant claims to be outsourced. We believe that the benefits of our DACH Division's effective claims collection strategy result in long-standing client relationships, evidenced by entering into master servicing agreements to provide collection services on clients' debt and other defaulted receivables that our DACH Division has not purchased.

For more information about our DACH Division's third-party collection services, see ''*—Key Operating Metrics for Third-Party Collection Services*.''

Gross Collection Levels on Purchased Debt Portfolios and the Ability to Extract Value and Maintain Collection Levels on Purchased Debt Portfolios

Revenue generated from claims in our DACH Division's purchased debt portfolios is impacted by the gross collection levels (put-backs included in gross collection levels do not impact revenue) that our DACH Division is able to achieve over time on the portfolios that it owns. The ability to maintain high gross collection levels is affected by its ability to effectively price the debt portfolios during the bidding phase. In order to accurately price a debt portfolio and to understand the potential return on investment, our DACH Division needs to assess a range of data points from the debt portfolio, including, but not limited to, consumer information, receivables information and payment history. If our DACH Division misinterprets any of the data that it analyzes in connection with the diligence process, or any of the data proves to be faulty or otherwise incorrect, then an information asymmetry would result and its pricing for the debt portfolio may be incorrect. Our DACH Division has a strong track record in outperforming its initial collection forecasts on the portfolios purchased. For example, between September 30, 2003, when our DACH Division purchased its first debt portfolio, and June 30, 2017, our DACH Division achieved Gross Collections of €912 million from these purchased portfolios and, as of June 30, 2017, these portfolios had a 180-month ERC of €609 million, generating a Gross Money Multiple of 3.2x (calculated based upon our DACH Division's ERC) on a cumulative basis. The Gross Money Multiple is the total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved to date and our DACH Division's ERC divided by purchase price. Furthermore, we believe that our DACH Division is able to maximize its collection process by offering diversified, time-efficient solutions to facilitate payments by consumers.

Collection Costs and Operational Efficiency

Implementing an effective and efficient debt collection strategy at all stages of the collection life cycle is a key factor driving our DACH Division's revenue and operating expenses. Our DACH Division's debt collection process is standardized and highly automated, with the goal of maximizing the total amount collected over the life of the debt through amicable collections or through an enforcement judgment. Our DACH Division endeavors to foster payment solutions, such as bespoke repayment plans, that provide visibility on the cash collected and minimize default risk for consumers.

We believe access to data and intelligent collection solutions is a key factor driving successful debt recovery at efficient prices. Our DACH Division is harnessing its data and analytics as tools to determine the most efficient, effective and regulation-compliant way to collect debt from its consumers. For example, the ability to segment our DACH Division's accounts, using internally developed scorecards, will allow it to locate those accounts which are most able and/or likely to pay and simultaneously will increase its collection rates and optimize its costs.

Our DACH Division has systematically carried out projects that have had, and that we believe will continue to have, a positive effect on its operations. Our DACH Division has divested a number of non-core activities and smaller businesses during the periods under review, including its operations in Spain. In addition to making strategic divestitures, our DACH Division has made strategic acquisitions to complement its collections processes, such as the acquisition of DMA in 2014, a data solution provider that sources information from more than 15 data information companies into one platform. The acquisition of DMA has afforded our decision science team a competitive advantage by providing them a multi-sourcing data information tool. In addition, we believe we will be able to further enhance our one-stop receivables management solution and our geographic footprint through the Group's acquisitions of IS Inkasso Service and Tesch Group, see ''*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Acquisitions*.''

Year-on-year and other period-on-period trends in our DACH Division's collection cost percentages are not necessarily indicative of its operational efficiency and the return on capital our DACH Division can achieve on its acquired portfolios, as they are impacted by the varying characteristics of the portfolios our DACH Division purchases in different years and differences in the timing of portfolio purchases during the year. Specifically, we believe that recent trends in our DACH Division's collection cost ratio have been driven by: (i) the characteristics of the purchased debt portfolio (*i.e.*, the industry or specific contractual arrangement of the debt); (ii) significant improvements in the operational efficiency of its collections team, primarily due to our DACH Division's implementation of a more automated and centralized debt collection function; (iii) changes in the volume of claims and other outstanding debt collected which can vary in any given period based on a number of factors outside of our DACH Division's control, such as the general macroeconomic condition in Germany; and (iv) recent statutory increase to legal fees, which has improved its revenue. See ''*—Economic Conditions*.''

Economic Conditions

During the periods under review, the German economy has remained relatively stable. However, a change in the economic and market conditions in Germany can have various effects on our DACH Division's operations. For example, adverse economic conditions and increased levels of unemployment may lead to higher default rates on outstanding debt, which may increase the amount of debt and other defaulted receivables held by our DACH Division's debt collection clients, thereby potentially increasing the volume of claims outsourced to our DACH Division for collection. Similarly, negative economic developments in turn may increase the stock of debt portfolios available for it to purchase and positively impact our DACH Division's prospects of purchasing debt portfolios with attractive returns. However, if adverse economic conditions materially reduce the ability of consumers to repay their debt, our DACH Division's revenue from both the third-party collection services and debt purchase businesses could decrease.

Improved economic conditions are likely to increase income available to DACH households, increasing consumers' ability to repay their debt, which will ultimately improve our DACH Division overall collections. Positive economic conditions may also increase the underlying credit stock, driven by higher private consumption and continued low interest rates, in turn driving the amounts of consumer credit. Conversely, lower default rates on loans, could negatively impact the growth of the stock of debt portfolios available to be outsourced to our DACH Division for collection or for it to purchase, which would negatively impact our DACH Division's revenue from both third-party collection services and debt purchasing.

Should the economic environment affect clients' preferences to either sell or outsource, we believe our DACH Division's diversified business model offers our DACH Division the flexibility to follow the changing market trends by rebalancing its capacity towards either of its business units.

Regulatory Considerations

Our DACH Division's results of operations are affected by a number of laws and regulations primarily in Germany. Our DACH Division is subject to regulatory and compliance requirements relating to labor, license requirements, consumer credit, debt collection, default interest calculation, statutes of limitation, data protection, anti-corruption, tax and VAT, handling of client funds and other regulatory regimes. Our DACH Division has detailed policies and procedures in place that are designed to foster compliance with applicable law and to ensure that compliance issues, if any, are identified and appropriately elevated within the organization. Our DACH Division's policy regarding regulatory compliance defines, among other things, governing principles regarding identification of governing laws and regulations, delegation of compliance responsibilities, guidelines on education and competence, testing and documentation of regulatory compliance control measures.

In Germany, creditors have a long enforcement period against consumers as the statute of limitations to apply for and obtain enforcement title against consumers is generally three years and once obtained, the enforcement title is valid for 30 years. German law further regulates the fees that are charged by third-party debt collectors and third-party law firms engaged in the collection process. German law regulates whether, and how much, such fees may be passed on to the consumer for collection. Any new laws or regulations that may be adopted, as well as changes to existing laws or regulations, could constrain or prevent our DACH Division's ability to operate. See ''*Regulation*'' and ''*Risk Factors—We are subject to UK, German and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business*'' and ''*Industry and Market Data—Legal and Regulatory Framework*.''

Factors Affecting Comparability of the DACH Division Consolidated Financial Statements

Our DACH Division changed its accounting policies with respect to the measurement of its purchased debt portfolios following the Lowell Acquisition. Our DACH Division accordingly adjusted the prior-year comparative figures as of and for the year ended December 31, 2014 retrospectively with effect to January 1, 2014 in the DACH Division 2015 Audited Consolidated Financial Statements to reflect this change. For additional information regarding this change in policy, its effect on our financial results and our presentation of related financial figures in this Offering Memorandum, see ''*Presentation of Financial and Other Information—Financial Information—DACH Division*'' and Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements.

Key Operating Metrics

Purchased Debt Portfolios

During the periods under review, our DACH Division experienced significant growth in its asset base and cash flow generation, which we believe was the result of: (i) the growing volume of the purchased debt portfolios our DACH Division was able to acquire; (ii) its pricing discipline; and (iii) the efficiency and sophistication of its third-party collection services operations.

The table below sets forth an overview of our DACH Division's total holdings of purchased debt portfolios and other defaulted receivables as of and for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2014	2015	2016	2016	2017
			(unaudited)		
Number of active claims (in thousands) at the end of the period	1,944	2,429	3,291	2,877	3,550
Face value of purchased debt with active claims (€ billion) at the end of the period[(1)]	5.0	5.9	7.0	6.7	7.3
Gross Collections from purchased debt (including payment receipts from secured portfolios) (€ million)[(2)]	91.7	115.4	123.6	60.1	67.6

(1) Includes accrued interest, fees and other charges for the active claims.

(2) See "*Summary Consolidated Financial and Other Information of Our DACH Division—Other DACH Division Financial and Operating Data—Footnote 1*."

The table below sets forth the movement in our DACH Division's carrying amount of purchased debt for the periods indicated.

	As of and for the year ended December 31,		
	2014	2015	2016
		(€ million)	
Opening balance of carrying amount of non-performing loans and receivables acquired for settlement	**101.6**	**103.7**	**135.5**
Additions from business combinations	—	—	21.2
Disposals from the sale of companies	—	—	0.3
Acquisitions	27.8	62.3	73.4
Disposals[(1)]	(1.7)	(6.8)	(4.0)
Amortization[(2)]	(45.6)	(56.9)	(56.9)
Measurement adjustments[(3)]	21.7	33.1	31.1
Closing balance of carrying amount of non-performing loans and receivables acquired for settlement	**103.7**	**135.5**	**200.0**

(1) Relates to put-backs and the sale of secured portfolios.

(2) Amortization represents purchased debt portfolio collections for the period less service cost revenue and investment revenue and is labelled as "Repayment" in the notes to the DACH Division Consolidated Financial Statements.

(3) Measured at fair value through profit and loss using a market value-based investment model in the DACH Division 2014 Audited Consolidated Financial Statements. Measured at amortized cost in 2016 and in the DACH Division 2015 Audited Consolidated Financial Statements including prior-year comparative figures as of and for year ended December 31, 2014 presented therein.

Estimated Remaining Collections ("ERC")

Our DACH Division defines Estimated Remaining Collections ("**ERC**") as the future collections expected to be received on all of its purchased debt portfolios during a 180-month period. These projections were prepared for illustrative purposes only and are different from the forecasts our DACH Division uses to calculate the carrying amount of its purchased debt portfolios as recognized in the DACH Division Consolidated Financial Statements. Our DACH Division's purchased debt forecasts were based on its own historical data and collection forecast of typically up to 180 months and represented its estimates as to what an exit price would be in a single transaction for the specific portfolio. References to our DACH Division's ERC in this Offering Memorandum are references to gross ERC (which includes estimated collections in respect of principal balance, costs, service costs and fees). ERC calculations are often used by other companies to present collections estimates covering collection periods comparable throughout the receivables management industry even though ERC might be calculated differently in detail. We believe that our DACH Division's 180-month ERC represents an important supplemental measure to compare its cash generating capacity with other companies in the receivables management industry, even though we can provide no assurance that our DACH Division will achieve such collections within the specified time period, or at all.

The table below sets forth a reconciliation from the IFRS carrying amount of our DACH Division's purchased debt to our DACH Division's ERC.

	As of June 30, 2017
	(€ million, unless indicated) (unaudited)
Non-performing loans and receivables acquired for settlement	**207.8**
Carrying amount of purchased debt portfolios analyzed for estimated remaining collections	**207.8**
plus discounting effect[(2)]	296.3
Gross estimated remaining collections forecast used for carrying amount calculation	**504.1**
plus extending forecast curves to 180 months[(3)]	64.8
plus application of back-tested forecast curves	40.0
Gross estimated remaining collections forecast for 180 months for illustrative purpose (ERC)	**608.9**

(1) Represents the estimated remaining collections for purchased portfolios that were eliminated in group consolidation.

(2) For financial reporting purposes, collections are shown at their present value by discounting them at the Gross EIR of each individual purchased debt portfolio (as determined at acquisition), whereas our DACH Division's ERC is prepared on an undiscounted basis.

(3) The majority of portfolio forecast curves included in the collection forecast underlying the IFRS Loans & Receivables end prior to June 30, 2027. For illustration purposes all curves have been extended to 180 months using consistent decay rates.

The table below sets forth the unaudited Gross ERC for our DACH Division's purchased debt by vintage as of June 30, 2017.

Vintage	0 - 12 months	13 - 24 months	25 - 36 months	36 - 48 months	49 - 60 months	61 - 72 months	73 - 84 months	85 - 96 months	97 - 108 months	109 - 120 months	121 - 132 months	133 - 144 months	145 - 156 months	157 - 168 months	169 - 180 months	Total
2003	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.4
2004	1.1	1.0	1.0	0.9	0.9	0.8	0.8	0.8	0.7	0.7	0.7	0.6	0.6	0.6	0.6	12.0
2005	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	2.7
2006	2.2	2.0	1.9	1.7	1.6	1.5	1.4	1.3	1.2	1.2	1.1	1.0	1.0	0.9	0.8	20.9
2007	11.0	9.8	8.8	7.9	7.1	6.5	5.9	5.3	4.8	4.4	4.0	3.7	3.4	3.1	2.8	88.6
2008	0.6	0.5	0.4	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	2.8
2009	13.9	12.1	10.6	9.3	8.1	7.1	6.3	5.6	4.9	4.3	3.8	3.4	3.0	2.7	2.4	97.8
2010	2.8	2.4	2.0	1.7	1.5	1.3	1.1	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	18.1
2011	1.5	1.1	0.9	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	7.3
2012	3.9	2.9	2.3	1.8	1.5	1.2	1.0	0.8	0.6	0.5	0.4	0.4	0.3	0.3	0.2	18.0
2013	5.4	4.4	3.7	3.1	2.5	2.1	1.7	1.4	1.2	1.0	0.9	0.7	0.6	0.5	0.4	29.7
2014	9.2	6.6	5.1	4.0	3.2	2.6	2.1	1.7	1.4	1.2	1.0	0.9	0.8	0.7	0.6	41.1
2015	15.4	11.4	8.7	7.2	6.0	5.1	4.3	3.7	2.8	2.2	1.8	1.5	1.3	1.1	0.9	73.3
2016	30.5	22.2	17.3	14.1	11.9	10.2	8.9	7.9	7.0	6.2	5.6	5.0	4.5	4.1	3.7	159.1
2017	12.6	5.5	3.8	2.9	2.3	1.8	1.5	1.2	1.0	0.8	0.7	0.6	0.5	0.4	0.3	36.0
Total	**110.6**	**82.5**	**66.7**	**56.0**	**47.8**	**41.2**	**35.9**	**31.5**	**27.3**	**23.9**	**21.1**	**18.8**	**16.8**	**15.1**	**13.6**	**608.9**
% of Total	18%	14%	11%	9%	8%	7%	6%	5%	4%	4%	3%	3%	3%	2%	2%	100%
Cumulative %	18%	32%	43%	52%	60%	66%	72%	78%	82%	86%	89%	93%	95%	98%	100%	

While returns achieved on an individual portfolio can vary, our DACH Division has a consistent record of returns on our DACH Division's aggregate purchased portfolios. The table below sets forth certain unaudited data related to our DACH Division's purchased debt portfolios and other defaulted receivables by vintage, such as purchase price, collections, our DACH Division's ERC and Gross Money

Multiple (calculated using our DACH Division's ERC) as of June 30, 2017. It demonstrates our DACH Division's ability to continue to extract value from its purchased portfolios over a long period of time.

Vintage[1]	Purchase Price[2]	Gross Collections	FV of Purchased Debt	180-Month ERC	Gross Collections plus 180-Month ERC	Gross Money Multiple to 180-Month ERC[3]
	(€ millions)		(€ billions)	(€ millions)		
2003	0.8	3.0	0.02	1.4	4.3	5.2
2004	10.5	32.3	0.19	12.0	44.2	4.2
2005	2.4	9.4	0.02	2.7	12.0	5.0
2006	18.0	46.4	0.45	20.9	67.3	3.7
2007	71.9	218.1	0.54	88.6	306.7	4.3
2008	7.8	21.1	0.04	2.8	23.9	3.1
2009	71.5	242.0	0.71	97.8	339.8	4.8
2010	15.7	41.5	0.75	18.1	59.6	3.8
2011	13.9	29.9	0.09	7.3	37.2	2.7
2012	34.7	54.1	0.18	18.0	72.2	2.1
2013	24.4	43.9	0.15	29.7	73.6	3.0
2014	48.1	59.9	0.18	41.1	101.0	2.1
2015	57.7	65.9	0.81	73.3	139.2	2.4
2016	91.8	43.1	0.86	159.1	202.3	2.2
2017	10.3	1.9	0.61	36.0	37.9	3.7
Total	**479.6**	**912.4**	**5.6**	**608.9**	**1521.3**	**3.2**

(1) Includes data from purchased debt portfolios purchased through forward flow agreements.

(2) Purchase price represents the purchase prices at the time the purchased debt portfolio was acquired. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition for the purchased debt becomes effective and on the acquisition closing date, when our DACH Division recognizes the purchased debt on our DACH Division's consolidated balance sheet.

(3) Gross Money Multiple is the total expected cash return from purchased debt portfolios, calculated as the sum of Gross Collections achieved to date and ERC divided by purchase price. Estimated Remaining Collections (ERC) is the future collections projected to be received on all of our DACH Division's purchased debt portfolios based on our forecasting models. As of today, our DACH Division's internal models forecast over a 180-month period. Our DACH Division's ERC as presented in this Offering Memorandum is a different and distinct measure from the collection forecasts that it uses to value our DACH Division's purchased debt on our DACH Division's consolidated balance sheets.

Key Operating Metrics for Third-Party Collection Services

The table below sets forth the total volume of our DACH Division's third-party collection services as of the periods indicated.

	As of and for the year ended December 31, 2014	2015	2016
	(unaudited)		
Number of active claims (in thousands)	1,461	1,498	3,348
Face value (€ in billions)[1]	11.4	10.1	11.3
Gross Collections from third-party collection services (in € million)	261.5[2]	241.3	251.0

(1) Includes fees, interest and other charges for the active claims.

(2) Gross Collections for the year ended December 31, 2014 included €28.3 million purchase price consideration from a secured real estate portfolio that was sold on behalf of one of our DACH Division's third-party collection services clients.

Description of our DACH Division's Principal Balance Sheet Line Items

The following is a discussion of the key consolidated balance sheet line items for our DACH Division.

Non-performing loans and receivables acquired for settlement

Non-performing loans and receivables acquired for settlement represent our DACH Division's purchased debt portfolios purchased at prices significantly below the face value and which are recognized at purchase price initially and were measured at fair value through profit and loss using a market value-based investment model in the DACH Division 2014 Audited Consolidated Financial Statements and now measured at amortized cost in the DACH Division 2015 Audited Consolidated Financial Statements, including the prior-year comparative figures as of and for the year ended

December 31, 2014 presented therein. See ''—*Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecast and Revaluation of Purchased Debt Portfolios*.''

Descriptions of our DACH Division's Key Income Statement Items

Set forth below is a brief description of the composition of the key line items of our DACH Division's consolidated income statement:

Revenue

Revenue is primarily comprised of debt collection revenue, debt purchase revenue and lawyer service revenue. Debt collection revenue consists of fees and cost reimbursements from the management of third-party debt portfolios. Debt purchase revenue consists of portfolio-related investment income from the settlement of non-performing loans and receivables. Our DACH Division's also recognized revenue on its purchased debt portfolios to reflect fair value changes (measurement at fair value through profit and loss) or changes to the carrying amount (measurement at amortized cost) of the portfolio to the portfolio. Our DACH Division's changed its accounting policies with respect to the measurement of non-performing loans and receivables acquired for settlement in 2015 from fair value through profit and loss to amortized costs using the effective interest method. Changes in fair value or carrying amount, respectively, may be caused by changes in collection estimates on our DACH Division's acquired portfolios, or by actual cash collections exceeding or falling short of the collection estimate for the relevant period. Lawyer service revenue results from rendering administrative services to collection lawyers.

Other Operating Income

Other operating income includes reversals of provisions and accrued liabilities, reversals of valuation allowances on receivables, purchase price adjustments for the sale of subsidiaries and disposal of non-current assets.

Cost of Purchased Goods and Services

Cost of purchased goods and services is largely attributable to the acquisition of hardware and access systems at intratech GmbH during the relevant period.

Personnel Expenses

Personnel expenses represents salary and other employee-related expenses such as long-service bonus commitments, severance of employees and pensions and other post-employment benefit obligations.

Depreciation, Amortization and Impairment Expense

Depreciation, amortization and impairment expense includes the depreciation of tangible fixed assets and the amortization of intangible assets on a straight line basis over the useful lives of the assets, as well as impairments on tangible fixed and intangible assets.

Other Operating Expenses

Other operating expenses includes legal, court and dunning expenses related to the collection process, postage and other expenses incurred in the collection of receivables, valuation allowances and write-downs on receivables and financial assets, administrative expenses, contributions and rents including leases for vehicles and office equipment, expenses from the measurement of non-performing loans and receivables acquired for settlement, personnel recruitment and freelancers fees, consulting and auditing fees, commissions and incidental refinancing costs and expenses that arise from the disposal of assets.

Interest and Similar Income

Interest and similar income relates mainly to the fair value measurement of derivatives.

Interest and Similar Expenses

Interest and similar expenses arise mainly from certain loan liabilities and expenses from fair value measurement as well as interest expenses from derivatives.

Income Taxes

The income tax expense comprise current and deferred tax, with our DACH Division's tax expense calculated using a tax rate of approximately 32%. The current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. Tax positions are periodically evaluated and positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Our DACH Division establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred income tax is calculated using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Profit/loss from Discontinued Operations

Profit/loss from discontinued operations includes the profit/loss from the Spanish subsidiaries of our DACH Division that were held for sale or sold during the relevant periods. The Spanish subsidiaries comprised Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U (together, the ''**Multigestión Group**'' or the ''**Spanish Subsidiaries**''). The sale of these companies was completed as of December 30, 2014.

Our DACH Division's Results of Operations

In this discussion and analysis of our DACH Division's financial condition and results of operations, the comparison as of and for the years ended December 31, 2015 and 2014 is based on the DACH Division 2015 Audited Consolidated Financial Statements where the prior-year comparative figures as of and for the year ended December 31, 2014 were retrospectively adjusted due to changes in accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement'' (see Note II. 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements).

Comparison of our DACH Division's Consolidated Balance Sheet as of December 31, 2015 with December 31, 2014

Non-performing loans and receivables acquired for settlement

Current and non-current non-performing loans and receivables acquired for settlement (our DACH Division's purchased debt), increased to €135.5 million as of December 31, 2015 from €103.7 million as of December 31, 2014, representing an increase of €31.8 million, or 30.7%. The increase was primarily due to the acquisition of various purchased debt portfolios in the first half of 2015, certain portfolios of which were previously managed under our DACH Division's respective third-party collection services business.

Comparison of the year ended December 31, 2015 with the year ended December 31, 2014

The following table shows our DACH Division's results of operations for the year ended December 31, 2015 and 2014 and the period-to-period changes.

	For the years ended December 31,		
	2014[(1)]	2015	Change in %
	(€ million)		(unaudited)
Revenue	243.9	271.9	11.5
Other operating income	16.1	6.1	(62.2)
Cost of purchased goods and services	0.8	1.1	47.4
Personnel expenses	45.2	48.9	8.3
Depreciation, amortization and impairment expense	6.3	4.1	(35.0)
Other operating expenses	163.8	180.9	10.4
Interest and similar income	0.5	1.0	78.3
Interest and similar expenses	16.0	10.3	(35.8)
Earnings/(loss) before tax	**28.4**	**33.6**	**18.4**
Income taxes/(income)	11.0	11.1	0.4
Profit/(loss) from continuing operations	**17.4**	**22.5**	**29.8**
Profit/(loss) from discontinued operations	**(2.3)**	**—**	**—**
Consolidated profit/(loss) for the period	**15.1**	**22.5**	**49.3**
Profit attributable to non-controlling interests	0.0	—	—
Loss attributable to non-controlling interests	—	0.0	—
Profit/(loss) attributable to equity holders of the Parent	**15.1**	**22.5**	**49.6**

(1) Due to the change in accounting policies made in the DACH Division 2015 Audited Consolidated Financial Statements, amounts were extracted from the comparative financial information presented in the DACH Division 2015 Audited Consolidated Financial Statements. See "*Presentation of Financial and Other Information—Financial Information—DACH Division*."

Revenue

Revenue was €271.9 million for the year ended December 31, 2015 compared to €243.9 million for the year ended December 31, 2014, representing an increase of €27.9 million, or 11.5%, for the year ended December 31, 2015 as compared to the prior year. The growth in the year ended December 31, 2015 compared to the year ended December 31, 2014 was realized primarily due to an increase of €23.7 million in revenue from acquired portfolios.

The following table shows the revenue contributions of our DACH Division's businesses for the years ended December 31, 2015 and 2014 and the period-to-period changes in these revenue contributions.

	For the years ended December 31,				
	2014		2015		Change 2014 vs. 2015
	(€ million)	(in % of revenue)	(€ million)	(in % of revenue)	(%)
			(unaudited)		
Third-party collection services	86.6	35.5	83.0	30.5	(4.2)
Debt purchase	67.6	27.7	91.3	33.6	35.1
Other services	1.7	0.7	3.9	1.4	123.3
Lawyer service revenue	87.9	36.0	93.6	34.4	6.5
Total	**243.9**	**100.0**	**271.9**	**100.0**	**11.5**

Other Operating Income

Other operating income was €6.1 million for the year ended December 31, 2015 compared to €16.1 million for the year ended December 31, 2014, representing a decrease of €10.0 million, or 62.2%, for the year ended December 31, 2015 as compared to the prior year. The decrease was primarily driven by the reversal of other tax provisions of €10.7 million in the prior year, which mainly related to €7.1 million VAT payments.

Cost of Purchased Goods and Services

Cost of purchased goods and services was €1.1 million for year ended December 31, 2015 compared to €0.8 million for the year ended December 31, 2014, representing an increase of €0.4 million, or 47.4%, for the year ended December 31, 2015 as compared to the prior year.

This increase of cost of purchased goods and services was primarily attributable to the acquisition of hardware and access systems at intratech GmbH.

Personnel Expenses

Personnel expenses were €48.9 million for the year ended December 31, 2015 compared to €45.2 million for the year ended December 31, 2014, representing an increase of €3.7 million, or 8.3%, for the year ended December 31, 2015 as compared to the prior year. The increase was primarily driven by the recognition of a provision for restructuring for the relocation of the registered office of the subsidiary GCG from Potsdam to Düsseldorf, severance payments made to executive board members departing at mid-year as well as vacation entitlements, an increase in the FTEs in our data analytics team and an increase in bonus payments.

Depreciation, Amortization and Impairment Expense

Depreciation, amortization and impairment expense was €4.1 million for year ended December 31, 2015 compared to €6.3 million for the year ended December 31, 2014, representing a decrease of €2.2 million, or 35.0%, for the year ended December 31, 2015 as compared to the prior year. In the prior year, this item included an expense of €2.4 million related to the impairment of goodwill of ZYK.

Other Operating Expenses

Other operating expenses were €180.9 million for the year ended December 31, 2015 compared to €163.8 million for the year ended December 31, 2014, representing an increase of €17.0 million, or 10.4%, for the year ended December 31, 2015 as compared to the prior year. The increase in other operating expenses was driven primarily by costs of the collection process such as legal, bailiff, court and other dunning expenses as well as postage and other expenses incurred in the collection of receivables and by expenses from the measurement of NPL receivables. Expenses from the measurement of NPL receivables relate to write downs of the NPL portfolios whose recoverable amount was lower than the carrying amount. These write-downs are recognized in other operating expenses in case they exceed collection revenue from the NPL portfolios.

Interest and Similar Income

Interest and similar income was €1.0 million for the year ended December 31, 2015 compared to €0.5 million for the year ended December 31, 2014, representing an increase of €0.4 million, or 78.3% for the year ended December 31, 2015 as compared to the prior year.

Interest and Similar Expenses

Interest and similar expenses were €10.3 million for the year ended December 31, 2015 compared to €16.0 million for the year ended December 31, 2014, representing a decrease of €5.7 million, or 35.8%, for the year ended December 31, 2015 as compared to the prior year. The decrease is in part due to the repayment of bank liabilities using a new shareholder loan in 2015. In addition, interest from the securitization of NPLs also decreased due to the ongoing repayment thereof.

Income Taxes

Income taxes remained stable at €11.1 million for the year ended December 31, 2015 compared to €11.0 million for the year ended December 31, 2014.

Profit/loss from Discontinued Operations

In the year ended December 31, 2015 no operations were discontinued. The loss from discontinued operations of €2.3 million for the year ended December 31, 2014 related to current results, the expenses for the sale process and the loss from the sale of the Spanish Subsidiaries. The sale was completed as of December 31, 2014.

Consolidated Profit/Loss for the Period

Consolidated profit for the period was €22.5 million for the year ended December 31, 2015 compared to €15.1 million for the year ended December 31, 2014, representing an increase of €7.4 million for the year ended December 31, 2015 as compared to the prior year.

Our DACH Division's Cash Flows

The following table sets forth the principal components of our DACH Division's cash flows for the years ended December 31, 2015 and 2014.

	For the year ended December 31,	
	2014	2015
	(in € million) (audited)	
Cash flow from operating activities	36.9	66.8
Cash flow from investing activities	(29.7)	(58.7)
Cash flow from financing activities	(31.6)	0.0
Change in cash and cash equivalents	(24.3)	8.1
Cash and cash equivalents at the end of the period	**35.7**	**43.9**
thereof restricted cash	24.4	20.4

Cash flow from operating activities

Cash flow from operating activities increased by €29.8 million from €36.9 million for the year ended December 31, 2014 to €66.8 million for the year ended December 31, 2015. This increase was primarily due to a better operating result and more collections received in 2015. Furthermore, the upfront payments to consumers under third-party service contracts with collection guarantees were much lower because of the purchase of before serviced revenue and new contracts with consumers without required upfront payments. Restricted cash decreased €4.0 million from €24.4 million as of December 31, 2014 to €20.4 million as of December 31, 2015.

Cash flow from investing activities

Cash flow used in investing activities increased by €29.0 million from cash flow used in investing activities of €29.7 million for the year ended December 31, 2014 to €58.7 million for the year ended December 31, 2015. The increase was primarily due to the purchase of more NPL portfolios.

Cash flow from financing activities

Cash flow used in financing activities was €31.6 million for the year ended December 31, 2014 compared to cash inflow from financing activities of €13,000 for the year ended December 31, 2015. This decrease was primarily due to the new financing structure and the corresponding lower repayment of bank loans in 2015 due to the conversion from bank loans to shareholder loans.

Our DACH Division's currently holds a cash pool at DZ Bank, and it will continue to evaluate our DACH Division's inter-bank-pooling options moving forward. Every cash pool entity/subsidiary has a pool account that is pooled on a daily basis to the master account. Debit or credit positions will be cleared by the pooling bank at the end of each business day.

Our DACH Division's Capital Expenditure

Our DACH Division's investments in intangible and tangible fixed assets (capital expenditure, shown as acquisition of property, plant and equipment/ intangible assets in the DACH Division Consolidated

Financial Statements) consisted mainly of: (i) IT hardware; (ii) IT software and development; and (iii) office equipment and infrastructure, such as the relocation of our DACH Division's headquarters to Essen and the establishment of the our service center in Gelsenkirchen.

Capital expenditure decreased by €1.8 million, from €5.0 million for the year ended December 31, 2014 to €3.1 million for the year ended December 31, 2015. In 2014, our DACH Division had relocated its headquarters to Essen, resulting in elevated capital expenditure in this year.

Our DACH Division's Other Financial Obligations: Pension and Other Post-Employment Obligations

For a description of certain pension plans and obligations of our DACH Division, see Note III 22. ''Provisions for pensions'' to the DACH Division 2015 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Our DACH Division's Off-Balance Sheet Arrangements

Our DACH Division is not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our DACH Division's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources.

Our DACH Division's Qualitative and Quantitative Disclosures on Market Risk

See Note II. 9. ''Business risks and capital management'' to the DACH Division 2015 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum for additional information on its exposure to market risk and the risk of loss that may result from the potential change in interest levels, refinancing and credit risks.

Significant Accounting Issues

Our DACH Division changed its accounting policies with respect to the measurement of ''Non-performing loans and receivables acquired for settlement'' and adjusted the prior-year comparative figures as of and for the year ended December 31, 2014 retrospectively with effect to January 1, 2014 in the DACH Division 2015 Audited Consolidated Financial Statements. In the DACH Division 2014 Audited Consolidated Financial Statements, our DACH Division measured ''Non-performing loans and receivables acquired for settlement'' at fair value and recognized these financial instruments at fair value through profit or loss. As part of the integration in the Group and for ease of comparison with international competitors, our DACH Division recognized in the DACH Division 2015 Consolidated Financial Statements ''Non-performing loans and receivables acquired for settlement'' at amortized costs using the effective interest method. For additional information see Note 2. ''Changes in accounting policies and disclosure'' to the DACH Division 2015 Audited Consolidated Financial Statements. Furthermore, with respect to significant issues, see Notes II. 3., II. 4., II. 5., II. 6. and II. 7. to the DACH Division 2015 Audited Consolidated Financial Statements.

INDUSTRY AND MARKET DATA

Certain information set forth in this section has been derived from external sources, including the Company Market Studies. These external sources generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. While we believe that these external sources are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Therefore, the following data, in particular regarding market sizes, past growth rates and competitive positions, should be viewed with caution and may differ from market and competitive data contained in other analyses or calculations of competitors. See ''Presentation of Industry and Market Data.'' Additional factors that should be considered in assessing the market and competitive data set forth in this section are described elsewhere in this Offering Memorandum, including, in particular, in the section entitled ''Risk Factors.''

Introduction to the Receivables Management Industry

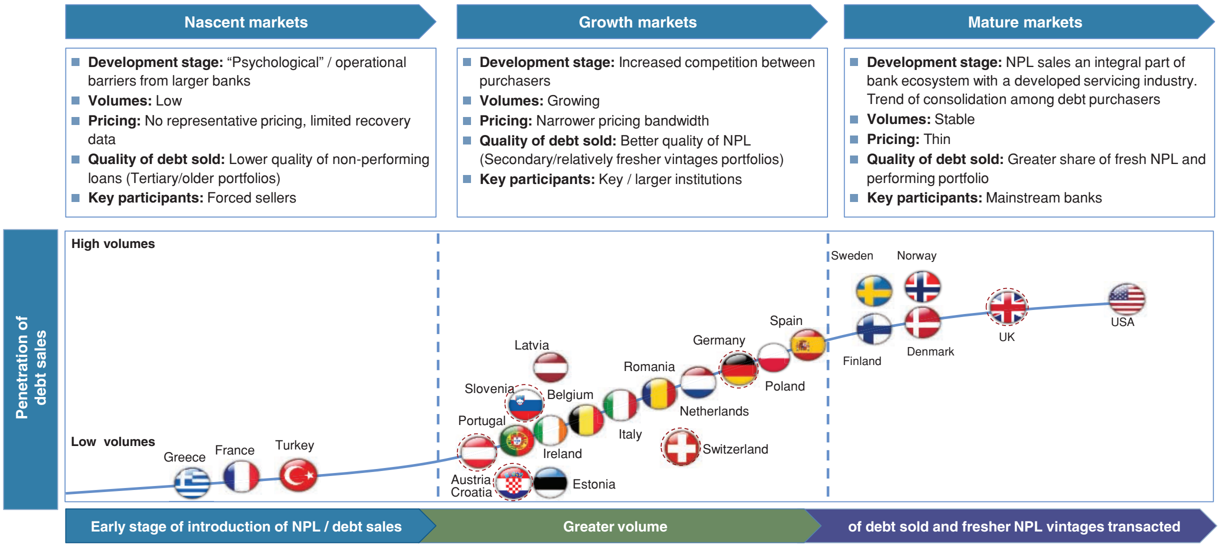
Debt is created when a debt originator extends credit to a person, who in turn becomes a customer of that debt originator. Such arrangements include financial institutions extending loans or trade sector companies issuing invoices for services rendered or goods delivered (*e.g.*, retail and telecommunications companies or public-sector entities, among others). Debtors default on their payment obligations when they do not repay the debt according to the terms on which it was extended, which results in the debt becoming overdue. Defaulted debt is an inherent feature of unsecured lending. Debt originators typically expect a certain percentage of consumers to default and, accordingly, manage their pricing to a target default level. Defaulted debt may be collected by the debt originator itself, by a law firm on behalf of the debt originator or by a receivables management company, such as the Group.

Debt, whether it is overdue or not, may be collected by either the originator itself or by a third-party to whom the originator has either sold the debt or merely outsourced its collection. For many debt originators, the management of defaulted debt is a low priority or non-core activity because volumes of defaulted debt are small relative to the overall scale of lending and debt originators do not generally invest much capital in their respective collection systems. Accordingly, outsourcing the collection of defaulted debt to a receivables management company is an attractive option for many debt originators. Depending on the debt originators' preferences and objectives, a receivables management company either manages the defaulted debt on behalf of the debt originator according to a servicing agreement, or purchases the defaulted debt from the debt originator, thereby taking legal ownership of the debt and acquiring the right to collect on it for its own account. The Group purchases defaulted debt and manages defaulted debt on behalf of third-party debt originators.

Our current geographical footprint principally comprises the two largest consumer credit markets in Europe, the UK and Germany, with a leading presence in Austria. The following chart illustrates the relative maturity profile of the receivables management industry in our markets as compared to the receivables management industry in other key international markets. As the chart indicates, the UK provides opportunities given the large scale of its economy and overall levels of indebtedness and Germany and Austria offer an attractive growth profile driven by the opportunity for greater debt collection outsourcing and debt portfolio sales. Our presence in Croatia and Slovenia marks the Group's entry into the CEE region where we have a positive outlook having recently seen significant activity in terms of debt sales. We also believe that there is further room for consolidation led by large players such as the Group.

Illustrative Relative Development of Key Debt Recovery Markets

Typical stages of development of debt purchase markets



Source: Management Estimate.

Credit Lifecycle

Receivables management services are an established part of the credit lifecycle in Germany and the UK. There are a number of stages in the debt lifecycle and credit management companies offer several services to clients throughout the cycle. A number of credit management services are exemplified in the following illustration and described below. The debt recovery cycles in the German and the UK markets are broadly similar in their components. However, the relative importance of third-party collection versus debt purchase and the timing of third parties' involvement in the recovery cycle tend to differ between the two markets. For instance, in the UK, a portfolio is often sold following at least one DCA placement, while in Germany, debt sale and third-party collection are often viewed as alternatives to recovering on defaulted debt. Due to their scale, expertise, specialization and data capabilities, large receivables management companies can make outsourcing an attractive option by offering efficient debt-collection strategies.

The debt recovery cycle encompasses the following steps:

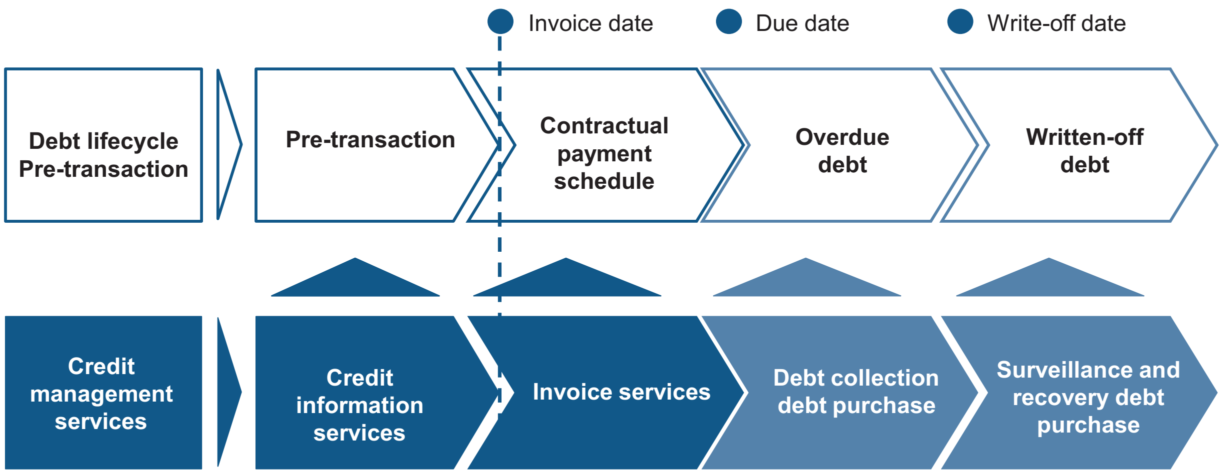
- **Origination of debt.** A consumer obtains credit from a debt originator. The financial services sector has historically been one of the largest sources of credit for consumers, but short- or long-term consumer credit is also a core component of business models across many other sectors, including telecommunications, retail, utilities and e-commerce.
- **Default.** A consumer defaults on his or her payment obligations. For example, the consumer may fail to make a series of scheduled payments. This may happen because of a change in the consumer's circumstances (*e.g.*, the loss of a job) or because the consumer entered into debt arrangements that prove unmanageable.
- **In-house recovery.** The debt originator uses its internal resources to attempt to recover the defaulted debt. Debt originators typically have standard procedures that apply when a consumer account falls into arrears, which include the use of internal recovery strategies and in-house debt collection activity to attempt to rehabilitate consumer accounts. Regularly, debt originators either fail to make contact with the consumer or are unable to reach an acceptable agreement on a payment.
- **Engagement of DCA.** Defaulted debt portfolios are serviced by third parties for a fee. The legal ownership and balance-sheet exposure remain with the debt originators. Debt collection agencies use a range of collection and contact techniques, including letters, phone calls, emails, text messages, event campaigns and litigation to recover the outstanding debt. Litigation techniques are often used when the consumer's ability to pay has been demonstrated but the consumer is unwilling to pay.

- In the UK, debt originators often commence an external recovery process by passing on the consumers' details to a DCA once the debt has fallen more than 180 days past due, although some pass debt to DCAs at 90 days past due. The external recovery process may encompass the use of two or three cycles of placements with DCAs.
- In Germany, debt originators generally tend to outsource debt once it is 45 days past due or, in the case of financial services debt, both 90 days past due and terminated. Alternatively, debt originators in Germany often sell defaulted consumer debt without ever outsourcing it to a DCA.

- **Debt sale.** Defaulted debt portfolios are sold to third parties at a significant discount to the principal value of the debt. The legal ownership and balance-sheet exposure are thereby transferred to the debt purchasers.
    - In the UK, if one or more DCAs are unable to recover amounts due, debt originators often sell off portfolios of non-performing debt to debt purchasers. Such sales typically commence once the debt in question has fallen more than 180 days past due, and could happen without debt being placed with any DCA. In general, the "fresher" the debt, the higher the price the debt originator can achieve. Additionally, if the consumer is already participating in a payment plan when the debt is sold (*i.e.*, making regular agreed payments to clear an outstanding balance) then the price of the debt will generally be higher. Prices are reduced for accounts that have passed through several DCA placement cycles, reflecting reduced expected recovery rates for such accounts.
    - In Germany, debt sale is perceived by debt originators as both an alternative to third-party collections and a subsequent option. The decision whether to sell or outsource depends on the objective the debt originator is aiming to achieve through the externalization. The propensity to sell also varies with the sector of the debt originator (*e.g.*, the insurance and the public sectors in Germany tend to refrain from debt sales due to regulatory constraints) and with general market conditions.
- **Other receivables management services.** In both the UK and Germany, receivables management services companies are increasingly active throughout the recovery process. End-to-end recovery management provides growth opportunities for such companies, for instance, in early-stage recovery (*e.g.*, prior to the consumer's default). Before debt originators extend credit to consumers, receivables management companies can also provide credit scoring and other forms of credit information services, such as data extraction and modeling. Receivables management companies also provide payment processing services, including invoice administration, subsidiary ledger accounting, invoice printing, payment reminders and consumer checks related to the ability to make purchases on account. These services can be provided either before or after debt is defaulted and, in certain cases, before the debt originator-customer relationship is first created (*i.e.*, before a consumer purchase takes place).

The chart below gives an overview of the debt recovery cycle.

Typical Debt Lifecycle and Receivables Management Services



Receivables Management Services' Business Models

The various sub-segments of the receivables management services industry are addressed below:

Debt Purchasing

Debt purchasing entails the sale of financial debt by a debt originator to a specialist debt purchaser or investor who acquires the right to collect the debt for its own account and retain the cash collected. The purchaser then typically seeks to reinvest this cash, net of collection costs, in acquisitions of new portfolios. Originators may sell portfolios of performing or non-performing loans to receivables management services companies for a number of reasons relating to operational and economic efficiency. Selling non-performing loans enables originators to, among other things, increase liquidity, strengthen their balance sheets, liberate internal resources to focus on core competencies and reduce back office costs associated with their in-house collection infrastructure. Debt originators generally choose to sell performing loans for similar reasons, though this can also be due to a decision to withdraw from a particular product or geography which is no longer profitable or core to their future strategy.

Methods of Debt Sale

Debt originators may structure their sales of debt portfolios in one of the following ways:

- *Off-market sales / bilateral agreements*: financial institutions generally use off-market transactions to simplify the sale process, where the transaction size does not justify running a competitive process or for the sale of complex portfolios. In off-market sales, the vendor originator considers just one party for the sale (typically a well-reputed and trusted partner with which it has a long-standing relationship), and if the price offered by the buyer is considered appropriate, the vendor originator sells the debt portfolio to the buyer without inviting any other bidders.
- *Limited auction*: for the sale of portfolios with a relatively higher level of complexity, vendor originators will often typically invite a few bidders to a tender process, which involves a greater level of more manual loan file due diligence.
- *Broad auction*: for the sale of some classes of debt, vendor originators will often initiate widely competitive tender processes, including five to six bidders or more. The relevant portfolios are generally priced by bidders using statistical models, and are often broken down into segments, with each segment being sold to the highest bidder. Such auctions become more difficult when portfolios are more complex and data quality is poor, including in less mature markets.
- *Forward flow agreements:* involve an agreement to sell several similar debt portfolios over a period of time at a predetermined price and for a specified quality of debt, avoiding fluctuations caused by changes in macroeconomic conditions and outcomes of precedent auctions. We are protected against downside risk in debt quality through provisions in the forward flow agreements allowing flexibility to modify pricing upon a detailed review of the portfolios, in the case of our UK forward flow agreements, and through put back mechanisms and certain representations and warranties from the seller in the case of our German forward flow agreements. In the UK, forward flow agreements are generally transacted through bilateral sales processes, while in Germany, forward flow agreements are transacted through both auctions and bilateral sales processes.

Debt Servicing

Debt servicing is a service provided by a receivables management services company that collects financial debt on behalf of a third global party (typically the debt originator). Servicers generally receive a fee related either to the face value of the debt portfolios they manage or the collections generated, depending on the nature of the managed portfolio. Receivables management services companies may provide debt collection services to debt originators for either performing or non-performing debt. Collections of non-performing debt can be particularly burdensome for debt originators because it can be time consuming and costly, especially when compared to specialists who have the key competencies, experience and are appropriately structured to do so more efficiently. Additionally, debt originators may choose to outsource the collection of some of their accounts to a receivables management services company in order to benchmark their internal debt recovery performance against that of a third global party. Collection of performing debt may be outsourced because of a desire to reduce back office or IT costs (to turn fixed overhead costs into variable costs) or to benefit from economies of scale that can be offered by receivables management services companies.

Methods of Debt Servicing

The terms and the fee structure of a servicing agreement typically depend on whether it concerns the servicing of non-performing or performing loans and type of debt, whether consumer or corporate, secured or unsecured etc.

NPL service agreements: Debt servicing agreements for outsourced NPLs typically have a defined minimum term with tacit renewal and at least a three-month termination notice by either party. Service agreements for non-performing loans can take a wide variety of forms with specific guidelines regarding reporting obligations, thresholds for debt forgiveness and guidelines regarding incurrence of costs. Service agreements for non-performing loans also tend to have customary confidentiality, compliance and data privacy clauses, as well as an audit clause and limitation of financial responsibility for the servicer.

Performing debt service agreements: Debt servicing agreements for performing debt, typically have a stated term commensurate with the remaining life of the portfolio but can be terminated with an advance notice. Performing debt servicing agreements typically include either a flat fee per month and/or per loan which varies depending upon the size, duration and nature of the debt, or a variable fee based on assets under management, which also varies depending upon the size, duration and nature of the claims. Service agreements for performing debt tend to have customary confidentiality, compliance and data privacy clauses, as well as a service level agreement and an audit clause that permits the bank to monitor the quality of the provider's services. Typically, these agreements also limit the financial responsibility for the servicer.

Overview of Key Market Sectors

There are different ways to classify the defaulted consumer debt available for purchase or servicing. For example, such debt may be classified by its quality. Key drivers of the quality of debt, and therefore its price, include its age, its average balance and the level of difficulty in contacting its consumer base. Accordingly, receivables management companies may, for instance, classify consumer debt by its stage in the debt-recovery cycle. Credit card asset classes, for example, typically vary from fresh write-offs (*i.e.*, accounts that have generally not been placed with DCAs at the time of sale) to accounts that have remained defaulted for a longer period of time prior to being outsourced, and receivables management companies may focus on one or more of such classes. Furthermore debts may be classified by the industry they originate from in order to leverage the predictive power of industry specific consumer behavior. For example, the propensity for consumers to pay back debt resulting from e-commerce transactions may be higher compared to other sectors.

Consumer debt may also be classified by market sector as below:

Financial services

- The sector includes financial institutions other than insurance providers.
- Financial services is the largest and most developed sector of the debt purchase market in the UK. It is highly diversified by type, age and quality of debt and debt originator. Since competition is intense in the UK financial services sector, the Group has focused its investments in this sector, where it believes its operational platform and database scale provides a competitive advantage allowing it to generate higher returns.
- In the German financial services market, we have focused our investments in the financial services sector on the defaulted consumer debt of credit banks, which primarily focus on third-party collection in their recovery process.

Insurance

- Defaulted debt in the insurance sector is usually created due to a customer's failure to keep up with instalment payments on insurance premiums or charges for short term rates in connection with the cancellation of a policy.
- In the UK, insurance providers historically have been a relatively insignificant presence among debt originators in the receivables management market.

- In the German insurance sector, only third-party collections and other services are possible in the majority of cases because the German regulatory framework prohibits the sale of most types of debt in this sector. While it is prohibited to purchase their debt, we may provide these companies with up-front payments, which are made after the receivables have been transferred for service to our DACH Division. See ''—*Legal and Regulatory Framework*.''

E-commerce

- E-commerce debt is created through balances due from online purchases of goods and services on direct debit and on account. Outsourcing of debt collection in the e-commerce sector is expected to increase, predominantly driven by the rapid underlying market growth, in addition to the high average default rates and high level of outsourcing of debt collection by small and medium players. Defaulted debt from e-commerce is increasingly controlled by specialized payment service providers which charge a fee to merchants for hedging especially consumer payments and who engage with CMS players themselves. Consolidation among aforementioned specialized payment service providers may offer the opportunity for larger servicing or debt purchasing agreements.
- In the UK, we have developed expertise in a retail subsector called ''home retail credit'', which relates to companies engaged in catalogue, phone or online shopping and in which balance sizes typically range from approximately £800 to £900.

Retail

- Debt portfolios in the UK retail sector are sold early in the receivables management cycle, typically prior to placement with DCAs, and as a result tend to be of higher quality.
- Debt in the German retail sector is generated when customers order on account, such that goods are received and an invoice is issued prior to payment. Retail debt usually relates to large purchases, such as appliances, furniture and clothing, rather than everyday items.
- In Germany, the retail sector is relatively consolidated, with debt originators served by a group of large, established debt collection providers, including our DACH Division.

Telecommunications

- Defaulted debt in the telecommunications sector is typically from balances due from post-paid mobile, fixed line, broadband contracts and subsidized devices.
- Telecommunications debt portfolios typically have lower balances than debt in most other sectors (approximately £250 to £500). In light of the low balances of telecommunications debt portfolios, collection efforts must typically be few in number and low in cost in order to be economically viable.
- In the UK, we have played a key role in developing debt sales in the UK telecommunications sector, in which we remain a leading player.
- In Germany, there is no clear receivables management services leader established in the telecommunications market, which has led to ongoing price competition among receivables management service providers.

Fitness

- Defaulted debt in the fitness sector consists of unpaid gym contracts. If the contract is paid in instalments and the customer defaults, the customer may be liable to pay for the full length of the contract.
- In the UK, debt originators in the fitness sector currently do not extensively use receivables management services, which presents us with an opportunity to develop a new source of revenue.
- In Germany, we have established a key role in fitness sector debt purchasing.

Utilities

- Defaulted debt in the utilities sector consists of unpaid heating, water, gas and electricity bills.
- In the UK, we continue to develop relationships in sectors in which debt portfolios have not previously been sold, or have been sold in only limited quantities, such as the utilities sector.

- In Germany, cost pressures from the German Renewables Energy Act are expected to trigger increased outsourcing of debt collection further, outsourcing of debt collection of contracts from pre-terminated end customers are also expected to increase in the medium term, offering incremental future potential for our Group, despite our market leadership within this sector.

Public sector

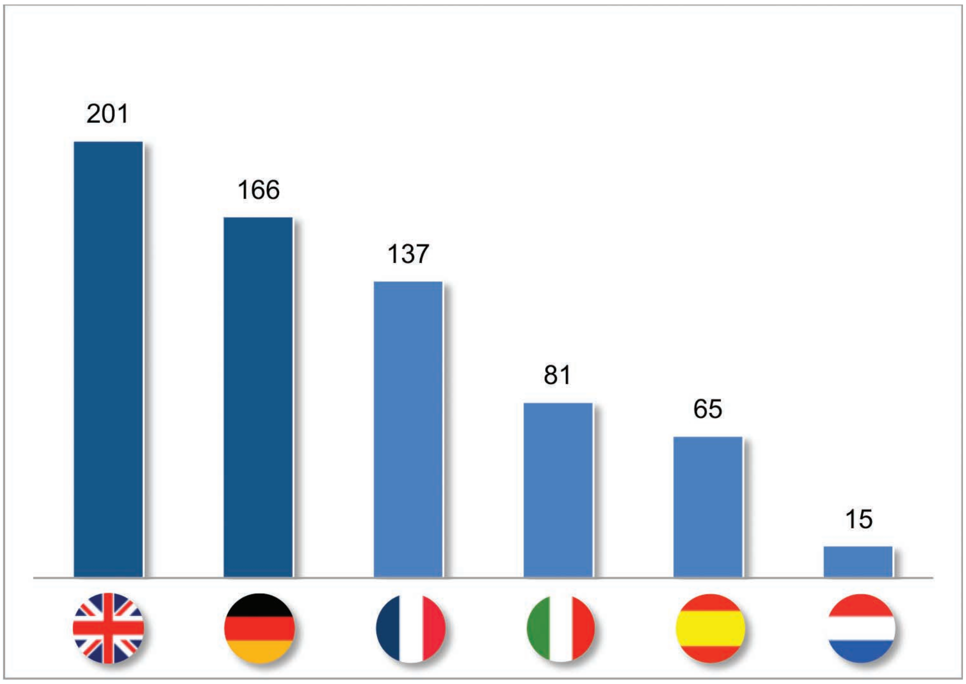
- Unpaid self-assessment income tax, local authority council tax, public transport fines and unpaid television licenses are examples of public sector defaulted debt. We believe there is potential for growth in both the UK and German public sectors, each of which is at an early stage of development.
- In the UK, we have been active in developing our relationship with the UK government, which has started to outsource debt collection, including our UK Division, and is considering the sale of some defaulted debt.
- In Germany, while typical public-sector debt such as tax and housing payments is not currently being outsourced, recent regulations would permit the outsourcing of certain ancillary services (e.g., address checks) as long as the responsibilities of public administration (e.g., enforcement) continue to be performed by the relevant public-sector entity.

In addition to the sectors described above, the German defaulted consumer debt market includes several other sectors in which the Group participates to a limited extent (e.g., the media, medical, travel and business-to-business sectors).

Size and Attractions of the UK and German Receivables Management Services Markets

The UK and Germany are two of the largest European producers of annual NPL volumes across industries, driven by the size of their respective economies and consumer credit markets. The UK with £201 billion in consumer credit outstanding and Germany with £166 billion in consumer credit outstanding had the first and second largest consumer credit markets in Europe, respectively, as of June 2017. (Source: Bank of England and European Central Bank).

Consumer Credit Outstanding by Country (£ billion, June 2017)



Source: Bank of England and European Central Bank

We believe that the other countries in which we operate provide significant growth opportunities over the coming years.

UK

The receivables management market was established in the UK in the late 1990s following the success of more established markets in the United States and Scandinavia, and has grown considerably since then. This market was initially developed as a method for debt originators to manage defaulted loans and to accelerate capital release for defaulted debt the value of which had already been significantly written down. The market commenced with small-scale transactions by DCAs that generally had access to small funding lines.

The UK debt purchase market underwent significant growth from 2000 to 2008, fueled by a rapid rise in outstanding consumer debt together with increasing default rates. The onset of the financial crisis in 2008 resulted in a substantial withdrawal of funding supply from the debt purchasers operating in the sector and an increased cost of funding for those debt purchasers that remained active. Reduced funding supply, coupled with a difficult collections environment in which debt purchasers were no longer able to agree settlements with borrowers, resulted in the exit of many debt purchasers from the market. Since 2010, however, the UK debt purchase market has experienced a recovery and is now one of the largest defaulted consumer debt markets in Europe.

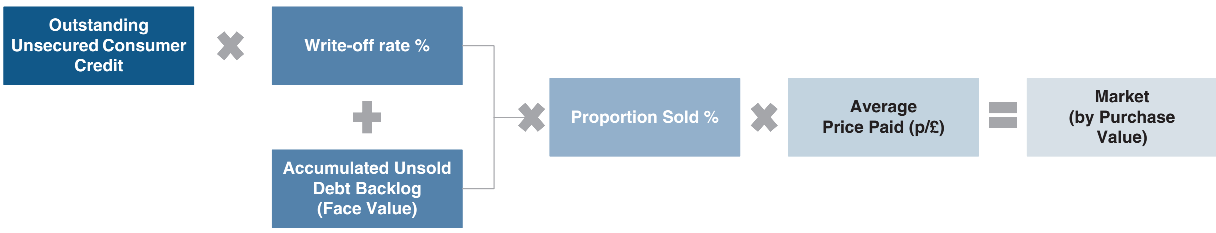
Today, the debt purchase and collection industry has become an integral component of the debt recovery process in the UK and helps UK debt originators manage the asset quality in their loan portfolios. This has become particularly important as capital and liquidity requirements imposed by regulators and investors increase. Increasingly, receivables management services have also become an important tool for non-financial debt originators, such as telecommunications and retail companies (as described below), to outsource the management of their bad debt and focus on their core businesses.

The volume of debt portfolios sold by debt originators each year comes from the book of defaulted debt in that year and the backlog of unsold defaulted debt from prior years. The pricing of debt portfolios also affects the volume of debt portfolios sold each year as it determines whether it is more economically attractive for a vendor to sell its debt portfolios or to warehouse them for further in-house or outsourced collections. The value of debt purchases is a function of the volume of debt sold and the price of that debt expressed as a percentage of its face value. Price is linked to factors determining the quality of the underlying debt, such as its age and the traceability and financial profile of the underlying consumers.

The UK market is expected to remain a large market as consumer debt levels remain very high and banks continue to actively manage risk. According to PwC, the household debt to income ratio is projected to reach 165% by 2020.

The chart below illustrates the method of calculating the overall amount spent by debt purchasers on defaulted debt.

Overall Amount Spent by Debt Purchasers



Factors Underlying the Size of the UK Receivables Management Services Market

The UK has one of the largest defaulted consumer debt markets in Europe. This is illustrated by the following key features:

- **Largest consumer credit market in Europe.** The UK has high levels of consumer indebtedness, with an estimated £201 billion of outstanding consumer debt as of June 2017 (Source: Bank of England). In addition, United Kingdom has significant and increasing amount of new consumer credit origination annually, with £260 billion in new flows in 2016 (Source: Bank of England).
- **Large volumes of defaulted debt.** We believe that the UK is the largest consumer NPL market in Europe by estimated flow of unsecured defaulted consumer debt, with approximately £8.2 billion in

face value defaulting in the years 2014 to 2016, according to Oliver Wyman and Intrum Justitia Source: Oliver Wyman and Intrum Justitia, ''European Retail and SME Credit Recovery Time?'').

- **Rebounding debt purchase market.** Spending on debt purchases grew from approximately £57 million in 2000 to approximately £625 million in 2008. From the onset of the most recent financial crisis in 2008 to 2010, the sector went through a period of decreased activity due to the withdrawal of substantial funding available to debt purchasers. Since the beginning of 2010, the debt purchasing market has witnessed renewed growth, driven by the sale of recession-generated debt portfolios, increased availability of funding and the increasing willingness of debt originators to sell their debt portfolios.

These features of the UK consumer credit market create a large and mature market for debt purchase. In 2015, Oliver Wyman and Intrum Justitia estimated that the acquisition cost of debt portfolios in the UK was approximately £746 million, with financial services, telecommunications, home retail credit and other sectors (public sector, utilities and insurance) accounting for approximately 78%, 8%, 7% and 7% of the total amount spent in such sales, respectively (Source: Oliver Wyman and Intrum Justitia, ''*European Retail and SME Credit Recovery Time?''*).

The chart below illustrates the amount of total defaulted debt that is sold to debt purchasers in the UK.

Attractions of the UK Receivables Management Services Market

- **Increasing concentration.** In recent years, we believe that there has been a trend towards increased concentration of the UK receivables management industry around a small core group of leading DCAs and debt purchasers. Industry consolidation has been further supported by the tightening supply of credit globally during the financial crisis, with only the most experienced and reputable market participants being able to secure the necessary financing to support an active debt collection and debt acquisition program during that period. All the large participants in the UK debt purchase market have recently raised debt through high-yield bond issuances, which gives them more stable medium-term financing as compared to other smaller participants, thereby facilitating further industry consolidation.
- **Increasing tendency to sell.** Moreover, management expect that the propensity on the part of UK debt originators to sell debt portfolios earlier in the recovery process will continue.
- **Emerging market sectors.** In the UK, the utilities, insurance and public sectors have historically accounted for a relatively small proportion of debt purchase and debt collection revenue as compared to the financial services, telecommunications and retail sectors. We believe these sectors represent new sources of supply for UK receivables management companies.

Germany

Unless otherwise stated, references to defaulted debt or NPLs in this section refer to unsecured consumer debt that remains unpaid for more than 45 days or, in the case of receivables sourced from the financial services industry, generally 90 days past the original payment due date.

Factors Underlying the Size of the German Receivables Management Services Industry

Germany has one of the largest addressable defaulted consumer debt markets in Europe. This is illustrated by the following key features:

- **Second largest consumer credit market in Europe.** According to the European Central Bank, £166 billion of consumer credit was outstanding in the German market as of June 2017, making it one of the largest unsecured consumer credit markets in Europe. Germany also benefits from having one of the most stable economic outlooks in Europe, with steady GDP growth and contained unemployment levels supporting a steady extension of consumer credit, with £84 billion in new flows in 2016 (Source: Deutsche Bundesbank).
- **Low default rate.** Germany has a low default rate compared to other countries in Europe, with a default rate of approximately 2.5% for consumer debt in 2015, reflecting a culture of debt repayment by borrowers and the resilience of the economy to macroeconomic cycles (Source: KPMG, ''European Debt Sales'', 2016).

- **Large volumes of defaulted debt.** Germany boasts a large flow of newly created unsecured defaulted consumer debt each year. In 2015, of approximately €4.0 billion of outsourced defaulted debt collected (excluding defaulted debt collected from the financial services sector), approximately €1.4 billion of defaulted debt collected was from the e-commerce sector and approximately €1.0 billion was from the insurance sector, with the remaining €1.6 billion from other sectors, including the utilities, telecommunications, travel and publishing sectors (excluding financial services sector).
- **High outsourcing.** We believe German debt originators across various sectors have a high propensity to outsource early in the credit cycle (*i.e.*, after the due date, but before the debt becomes overdue by 45 days or, in the financial services sector generally, by 90 days), due to the limited presence of in-house collection operations at German debt originators.
- **High awareness of the management of defaulted debt.** Management of defaulted debt is well understood across an increasing number of sectors, and companies of all sizes make strategic decisions on how to handle the recovery process.
- **Attractive growth prospects in various underlying sectors.** We believe that the German credit market offers an attractive and supportive environment for debt collection providers. We believe that the German credit market has positive underlying fundamentals, and that such fundamentals are driven by a number of sectors, each with unique debt management practices and growth prospects. Historically, the insurance sector was among the largest sectors from which debt collectors could generate sufficient flow of new defaulted debt and we expect defaulted debt flow in the e-commerce sector and the payment industry to significantly increase.

Together, these features of the German consumer credit market create a very large market for debt collection and debt purchase.

Attractions of the German Receivables Management Services Market

- **Stable and strong economy with a strong growth outlook.** Germany has been experiencing strong and positive real GDP growth since 2010, and low unemployment relative to other European economies. The stability and strength of the economy support increased investments and borrowing.
- **Supportive environment for outsourced receivables management services.** Due to the limited in-house resources of many debt originators in Germany, receivables management companies benefit from a large supply of outsourced debt. The trend is expected to continue due to the cost cutting pressure on German banks. Furthermore, the number of potential debt collectors chosen by a specific company tends to be small (which we believe to be one to three collectors, on average) for third-party collections and services, providing an opportunity to build partnership-like relationships with debt originators early in the recovery cycle.
- **Wide range of revenue opportunities and longer time to work on debt.** Debt is outsourced relatively early through BPO services prior to its due date, and outsourced collections and debt sales generally start 45 days after the respective due dates of the obligations. This ''fresh'' debt typically is of higher quality and has higher collection expectations, because less work has been applied to the assets to obtain consumer payments. Furthermore, it is possible to engage in long-term monitoring to identify potential solvency changes of consumers for up to 30 years (and, in some cases, for a longer period) in line with the applicable statute of limitations. Earlier access to debt and longer-term monitoring provide wider opportunities to capture fees and allow for more time to recover debt.
- **Cultural attitudes towards debt repayment.** German consumers tend to use debt for payments to a substantially lesser degree than do consumers in other European countries, preferring instead to use cash and debit cards. The low comparative usage of credit in Germany could be driven by the additional fees charged to defaulted consumers, as well as by cultural attitudes towards indebtedness. As a result, consumers who do incur debt are generally more likely to want to repay it when able to do so.
- **Specific fee and receivables management services remuneration structure.** Different to other markets, German legislation and established industry practice offers a fee structure that allows receivables management services companies to charge delayed payment fees to consumers rather

than charging commissions to the debt originators. The fact that the debt originators themselves are not allowed to charge these fees but DCAs/receivables management services companies are is further fueling third party collections.

Attractions of the Austrian Receivables Management Services Market

In terms of the amount of defaulted consumer debt per capita and the percentage of debt collection currently outsourced to DCAs, Austria is significantly smaller than Germany and the UK. We believe there is a significant potential to benefit from higher outsourcing rates in Austria in the future. Also, since there are indications of a large pent-up NPL sale volume on the balance sheets of Austrian banks, as well as a relatively low penetration of debt purchasers in the Austrian market, we believe there is a potential for market participants to deploy their capital on debt purchases in the Austrian market at attractive returns.

Attractions of the Croatian Receivables Management Services Market

The Croatian market has one of highest NPL levels in the CEE region. The NPLs in Croatia have been increasing since the 2008 global crisis, totaling 17.1% at the end of 2014 (Source: Croatian National Bank) and have only recently seen a decline to 14.8% in June 2016, as a result of decrease in corporate sector NPLs. For the household sector, which reacted to the crisis with a time lag, the share of NPLs is still growing. The government is set to bring in legislation to lower these high NPL levels including introducing tax-deductibility for write-offs. Such initiatives could boost the NPL sale activity in the market.

Attractions of the Slovenian Receivables Management Services Market

The Slovenian banking sector has considerably brought down the level of NPLs in the system since 2012 but still they remain at much higher levels compared to rest of Europe. One of the major ways in which banks dispose of NPLs is by transferring them to the Slovenian Bank Asset Management Company (''**BAMC**''), which is a government owned entity which operates under the objective of restructuring the assets and selling them when the market has again recovered. The Slovenian receivables management services market (largely consisting of the banking sector) remains attractive to receivable management companies given the transaction activity would further increase once the BAMC is dissolved by the government in the future.

Market Growth Drivers and Trends

The following factors represent drivers of growth in both the UK and German receivables management industries:

- **Continued expansion of overall unsecured credit.** In the UK, unsecured consumer indebtedness has returned to growth since 2011, after a short period of decline following the most recent financial crisis. The sustained growth experienced in UK consumer lending, and consequently in defaulted loans, will be a key driver for future debt sale volumes. However, the impact of Brexit on growth in consumer spending and consumer credit remains uncertain. The growth of unsecured consumer credit in Germany tends to be less cyclical and is expected to remain in line with growth rates observed in recent years.
- **Default rates.** In the UK, we believe that the increase in unsecured consumer lending in the post-crisis recovery period, which has been associated with riskier credit, has tended to result in an increase in default rates. If Brexit results in a recession in the UK, it will likely result in a further increase in default rates. Management expects default rates in Germany to remain relatively stable over the coming years.
- **Increased outsourcing of collections and debt sales.** Debt originators increasingly tend to outsource the recovery of defaulted debt on account of their lack of internal resources, the desire to focus internal resources on core activities, the increased compliance cost and regulatory risk associated with increased regulation and the generally better cost structure of receivables management companies. Receivables management companies offer a wide range of services, providing debt originators with a comprehensive solution for the management of delinquent debt that extracts higher value from their NPLs.

- **Emerging market sectors.** We believe that some sectors in both the UK and Germany are still relatively nascent or underdeveloped, and we expect these sectors to experience growth in the short term. In the UK, there are opportunities to develop relationships with sectors that have not previously outsourced receivables management at all, or have done so only to a limited extent, such as the opportunities described above with respect to the public and utilities sectors. In Germany, there are various growth opportunities arising from small and medium-sized enterprises (''**SMEs**''), and large companies and certain sectors with limited current use of third-party services (*e.g.,* the public and utilities sectors). In particular, SMEs that still use staff dedicated to run collection activities may consider outsourcing opportunities because of cost benefits, access to data, state of the art technology, improved collection rates and the professional approach to collection provided by receivables management companies. Furthermore, within large companies across all relevant sectors, there is an ongoing shift towards replacing in-house departments with third-party outsourcing services.
- **Price.** The pricing of receivables management activities, such as the level of commissions for contingent collections and the price of debt for debt purchase, is an important driver of the overall demand for such services and the overall supply of debt for sale. We believe that competitive pricing tends to encourage market growth by increasing the demand for collection services and the supply of debt for sale. Moreover, we believe that receivables management companies that benefit from economies of scale tend to be able to compete more effectively on pricing, which gives them an advantage when price competition increases.

Competitive Dynamics

In recent years, we believe that there has been a trend towards increased concentration of the receivables management industry around a small core group of companies. See ''—*Barriers to Entry*.''

The UK Market

Industry consolidation has been supported by the tightening supply of credit globally during the financial crisis, with only experienced and high-quality debt purchasers in the market being able to secure competitive financing to support an active debt-acquisition program both during the crisis and thereafter. Recently however, several international players from the Scandinavian and the U.S. markets (*e.g.*, Hoist, Intrum and Encore) have expanded from their traditional geographical focuses and sought to compete in the UK.

Our UK Division tends to compete with one or two of these leading purchasers in the final stage of each debt tender process. We believe that many of our UK Division's current competitors have evolved with a specific investment focus and associated operational infrastructure, which may make them more or less suited to particular sectors of the market. Some purchasers are more focused on higher-balance debt or paying debt, which often requires less tracing capability and cost to collect efficiencies. The importance of historical benchmark data to guide prices on new debt portfolios means that market participants may also gravitate towards specialty niches in which they have been more active in the past. As a result, current competitive dynamics primarily reflect the ability of each debt purchaser to generate appropriate returns on investment, based on its cost structure and operational capabilities.

We believe that large, high-end debt purchasers have outpaced broader market growth in the UK. For example, the Group and three of its large competitors increased their total share of the UK debt purchase market (by purchase value) from approximately 39% in 2012 to approximately 60% in 2015, based on the top four debt purchases in the UK for 2015 (Source: Company information and Oliver Wyman and Intrum Justitia, ''*European Retail and SME Credit Recovery Time?''*). As the market consolidates further and panel size reduces, we expect leading players to continue to be materially advantaged and outperform both the market and their smaller peers in growth and profitability.

The German Market

With approximately 600 to 900 players, the German receivables management services market is highly fragmented. Players can be generally distinguished by service activity and sector focus.

We believe ''Tier I'' debt collection companies with revenue of more than €100 million have outpaced broader market growth. Notwithstanding the fragmentation of the German receivables management services market, there is a trend toward consolidation. A small group of four Tier I players, including EOS (part of the Otto Group), our DACH Division, Creditreform and Arvato (part of the Bertelsmann Group), is significantly larger by revenue than the other players in the market. ''Tier II'' players, which comprise companies with revenue in the €10 million to €100 million range, have grown at a lower rate, with a representative sample of companies with revenue in the € 30 million to €100 million range. Tier II players generally focus on one or two industries or are the German subsidiaries of international receivables management corporations. Small- and medium-sized players typically have a regional focus and serve smaller debt originators, often only in the third-party collections and services business.

The Austrian Market

Outsourcing activities to external debt collectors in Austria are comparatively underdeveloped in relation to Germany and the UK and provide the chance to deploy capital at relatively attractive returns. The debt collection market in Austria today is highly fragmented with three participants of scale including IS Inkasso Service, EOS and Arvato, and the rest of the market is composed of a large number of smaller companies. Similar to Germany, we see scope for consolidation as the market matures over the coming years.

Barriers to Entry

The concentration in the European receivables management markets over the last several years has resulted in a maturing of the industry, with the key participants increasing in scale both organically and inorganically and becoming ever more operationally sophisticated. We believe this has created certain challenges for a new entrant to create a sustainable business. We believe the following significant barriers to entry exist in the industry:

- **Regulatory environment and compliance.** The industry is subject to increasing levels of legal and regulatory oversight. Debt purchase and debt collections activity migrated from the OFT to the FCA in 2014. The trend in the UK over the past 20 years has been to make debt collections a mainstream financial services activity subject to a comparable level of regulatory scrutiny as that to which the activities of debt originators in the financial services sector are subjected. We believe that, in this context, compliance track record and reputation are key to developing strong relationships with debt originators. In Germany, we believe that the law against dubious business practices for receivables management companies (*Gesetz gegen unseriöse Geschäftspraktiken—GguG*), which sets forth the limit for debt collection fees payable by consumers and introduced more stringent requirements relating to transparency, increases the burden on smaller businesses (for more details regarding this law, see ''*—Legal and Regulatory Framework—Germany*''). Accordingly, we believe that debt collection in both the UK and Germany requires considerable investment in processes, know-how and management, making it potentially difficult for a new entrant to be competitive and increasing barriers to entry. See ''*Regulation*.''
- **Data and pricing models.** A new entrant would be unlikely to have an established model with which to price debt portfolios, given its lack of historical data sets important for substantiating and benchmarking collection curves and ultimately for formulating rational prices across varying debt types and consumer characteristics.
- **Trace and collections platform.** The ability to locate account holders, determine their financial circumstances and the recoverability of their debt is fundamental to success in collecting in a cost-effective manner and generating an appropriate return on investment. The systems of a debt purchaser, such as the Group, have been developed over an extensive period of time, requiring substantial investment and expertise.
- **Funding.** Since 2012, several leading UK debt purchasers such as our UK Division, Cabot and Arrow have issued high-yield bonds, which provide more stable medium-term financing. Additionally, our DACH Division pioneered the issuance of high-yield bonds by non-captive receivables management companies in Germany in 2015 and has undertaken the securitization of certain of its purchased debt portfolios. In both the UK and Germany, high-yield financing is used in

combination with revolving credit facilities provided by major banks as a flexible means of funding the purchase of additional debt portfolios. Without a successful track record and verifiable projections supported by reliable pricing models, it could be difficult for a new entrant to obtain cost-effective debt funding to purchase debt portfolios.

- **Economies of scale.** Large debt purchasers can spread their fixed costs across their book of existing debt portfolios. This scale provides a cost advantage to an established debt purchaser when pricing new debt portfolios.
- **Vendor relationships.** Key debt originators have established relationships with the leading receivables management companies in the UK and Germany. Increasingly, such vendors are seeking to maintain relationships with a smaller number of service providers. Based on the panel relationships we have, we believe that vendors have reduced the size of their panels. This means that it is increasingly important for us to be present on panels. We believe we are among the large debt purchasers present on nearly all major panels in their respective markets. Whether a debt purchaser has a reputation for being able to transact purchases on a sustainable basis and a track record of regulatory compliance is a key consideration for certain vendors and may represent a considerable challenge for new entrants.
- **Management expertise.** The receivables management market is relatively concentrated among top players. Proven management with deep industry knowledge may be difficult to find and hire.

Legal and Regulatory Framework

UK

The debt recovery process in the UK is limited by the applicable statute of limitations, which does not allow a creditor to take legal action on debt either five or six years (in Scotland or in England, Wales and Northern Ireland, respectively) after (i) the last non-verbal acknowledgement of such debt (*e.g.*, the last payment made on the account) or (ii) the cause of action arose (e.g. when the customer defaulted).

Receivables management companies in the UK are regulated by several bodies, including the FCA, ICO and Ofcom. The FCA took over regulation of the consumer credit and debt management sectors from the Office of Fair Trading (''OFT'') in April 2014, and a breach of its ''Treating Customers Fairly'' obligation can be a serious matter. The Lending Standards Board Operates the Standards of Lending Practice which many banks and credit card companies subscribe to. The Standards of Lending Practice make debt originators responsible for the behavior of a debt purchaser that purchases their debts, and third parties must follow guidelines set out in the standards.

We believe that the UK regulatory environment favors participants with scale, such as our UK Division, which are more likely to have the resources necessary to comply with the increasing volume of regulation in the industry and with the FCA regime.

Furthermore, a receivables management company must be authorized to carry on regulated activities, which from April 1, 2014 include specified consumer credit activities, in order to do business in the UK. For more information regarding the regulatory framework applicable to our UK Division, see ''*Regulation—Key Regulations Affecting our UK Division*.'' In addition, in 2018 data protection regulation will change as a result of the EU General Data Protection Regulation coming into force.

Pursuant to Section 19 of FSMA, a firm must be authorized to carry on regulated activities, which from April 1, 2014 include carrying on specified consumer credit activities, by way of business in the UK. For example, entering into a regulated credit agreement as lender, and exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement, are regulated activities. Therefore, debt purchasers who acquire the lender's rights and duties under the credit agreement are required to be authorized and to have permission to carry on consumer credit business. Certain activities in relation to debt, including debt collection, are also regulated activities.

Our UK operating businesses—Lowell Portfolio 1 Ltd; Lowell Financial Ltd and Fredrickson International Limited—have been granted full FCA authorization to conduct consumer credit-related and/or debt related regulated activities in the UK. See *''Regulation—Key Regulations Affecting Our UK Division''* for detail on the permissions these entities hold.

Germany

The legal framework in Germany allows creditors to use a variety of collection methods to support the consumer debt recovery process. Once a debt collection agency is engaged by a debt originator, certain fees can be added to the principal value of the debt. If creditors or their agents need to use more complex processes to recover the debt owed, the law provides that creditors can add additional fees and costs incurred during the collections process.

As part of the creditor's default damage, servicer fees of a debt collection company can generally be charged to the debtor up to the amount of fees a lawyer could charge pursuant to the German Lawyer Remuneration Act (*Rechtsanwaltsvergütungsgesetz*). Similarly, costs in connection with the subsequent retention of external lawyers are frequently passed on to the consumer.

The recovery process in Germany is typically longer than in peer markets, as debt is, under the German Civil Code (*Bürgerliches Gesetzbuch*), generally considered defaulted at the latest 30 days after the due date and receipt of an invoice (in case the debtor is a consumer, this applies only if this consequence has been explicitly referred to in the invoice), and debt originators tend to outsource it earlier than in their peer markets. Therefore, receivables management companies in Germany have access to ''fresher'' debt. Unlike in peer markets, in Germany debt can be serviced for a period of 30 years after obtaining an enforcement title. For some players, a significant portion of total collections comes from debt that is older than 10 years.

The debt collection services industry in Germany is not a regulated activity with its own regulator, but DCAs must register under the German Legal Services Act (*Rechtsdienstleistungsgesetz*) to be permitted to carry out debt collection services. Supervision is effected through the court system. The determination of the competent court typically depends on the region in which the debt collection company is headquartered. The Higher Regional Courts (*Oberlandesgerichte*) of Düsseldorf, Hamm, Cologne and the local courts (*Amtsgerichte*) of Osnabrück and Hannover are the competent authorities for the German entities of our DACH Division. The supervision of debt collection companies and their activities is governed by a number of key laws: the German Legal Services Act (*Rechtsdienstleistungsgesetz—RDG*), the Introductory Act to the German Legal Services Act (*Einführungsgesetz zum Rechtsdienstleistungsgesetz—RDGEG*) and the Implementing Regulations to the German Legal Services Act (*Verordnung zum Rechtsdienstleistungsgesetz—RDV*).

The Law Against Dubious Business Practices (*Gesetz gegen unseriöse Geschäftspraktiken—GguG*) came into effect in Germany in October 2013. The law sets forth the limit for debt collection fees payable by consumers and introduced more stringent requirements relating to transparency, including as to what information must be provided to a consumer during the debt collection process. We believe this development reflected the way that the largest players already operated and increased the burden on smaller businesses, accelerating the sector's consolidation.

Debt Purchase—Assignment of Debts

When we purchase debt portfolios, the underlying claims are frequently assigned to us. Under German law, a creditor may generally assign claims in which it holds ownership in accordance with applicable law, in particular Sections 398 *et seq.* of the German Civil Code (*Bürgerliches Gesetzbuch*). Such assignment is not required to be made in writing. Section 402 of the German Civil Code stipulates that the assignor has to provide the assignee with any information necessary for the enforcement of the underlying claim. An assignment of claims may be restricted either by contractual or legal limitations or held void under certain circumstances. For example, according to some courts' decisions, Section 88 (3) sentence 2 of the German Law on Telecommunication (*Telekommunikationsgesetz*) in connection with Section 134 of the German Civil Code provides that payment claims derived from telecommunication services may not be assigned due to the underlying limitation of the German telecommunications secrecy (*Fernmeldegeheimnis*). However, the Federal Court of Justice (*Bundesgerichtshof*) has ruled in accordance with a decision in a preliminary court ruling of the European Court of Justice that an assignment of such claims will not be void if the provider (*Diensteanbieter*) as assignor ensures that the assignee processes traffic data (*Verkehrsdaten*) in accordance with applicable law, the assignor retains the right to audit the assignee's compliance with such requirements at any time and the contract between the provider and the assignee contains respective provisions. Additionally, such claims may only be assigned once from the provider to an assignee.

On the other hand, the debtor may make use of any objections that are based and founded on the legal relationship to the original debtor. He may in particular object on grounds of statutes of limitation. German civil law provides under Section 195 of the German Civil Code for a so-called ''standard limitation period'' (*regelmäßige Verjährungsfrist*) of three years, which generally commences at the end of the year in which the underlying claim arose and the creditor obtains knowledge of the circumstances giving rise to the claim and of the identity of the debtor, or would have obtained such knowledge if he had not shown gross negligence. The limitation period expands according to Section 197 (1) No. 4 of the German Civil Code (*Bürgerliches Gesetzbuch*) to 30 years if a claim has been legally established as final and absolute, which is the case, for example, if a court has issued a final and absolute judgment (*rechtskräftiges Urteil*) or the creditor obtains a binding enforcement order (*Vollstreckungsbescheid*).

Restrictions on Debt Purchase in Certain Industries

By regulation under the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), companies operating in certain industries are not allowed to sell their overdue and defaulted receivables to third parties (*e.g.*, in the insurance industry for premiums). While it is prohibited to purchase their debt, we may provide these companies with up-front payments, which are made after the receivables have been transferred for service to our DACH Division. In exchange for providing up-front payment, our DACH Division receives all further collections as a fee. Such up-front payments only reflect a portion of what a similar debt portfolio may cost in an open market purchase, as our DACH Division purchases only the economic right to collect on a portfolio of debt, not full title to the underlying debt. See ''*Risk Factors—Risks Related to Our Business and Industry—We are subject to UK, German and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business.*''

Enforcement of Claims under German Law

According to the provisions of the German Code of Civil Procedure (*Zivilprozeßordnung, ZPO*), enforcement of claims under German law generally requires a creditor to obtain an enforcement title stating his claim (*Vollstreckungstitel*) with a court certificate of enforceability (*Vollstreckungsklausel*) which has to be delivered to the creditor. If these requirements are met, the creditor may initiate enforcement measures depending on the type of claim. For example, if the debtor owes payment, the creditor may, subject to certain prerequisites and exemptions, instruct a bailiff to initiate attachment of movable assets of the debtor, which is generally followed by a foreclosure, or request the competent enforcement court (*Vollstreckungsgericht*) to attach claims of the debtor and transfer the garnished claims.

An execution title is not automatically transferred with the underlying claim, but is generally rendered in the name of a specific creditor who has the sole right to enforce the claim. Although we benefit in many portfolio debt purchases, to the extent German law applies, from acting as a beneficial owner with the original creditor as trustee, which allows us to enforce on the basis of existing execution titles, we may not enforce the claim using the existing execution title if the original creditor is no longer available to serve as trustee (*e.g.*, if the creditor is liquidated). We also may not use an existing execution title if we are the legal owner of the claim. In such situations, an execution title may only be amended by way of a circumscription of title (*Titelumschreibung*), subject to certain legal requirements set forth by the German Code of Civil Procedure. This procedure allows other persons who are not named in the respective execution title to use it for enforcement. See ''*Risk Factors—Risks Related to Our Business and Industry—We may purchase portfolios that contain accounts that are not eligible to be collected, including due to defects in consumer documentation that may make the credit agreements unenforceable, and an enforcement of related claims may be difficult.*''

German Insolvency Proceedings regarding Natural Persons

Insolvency proceedings regarding natural persons are tightly regulated in Germany. A natural person is only insolvent in case of an (imminent) inability to pay its debt as and when it falls due (*Zahlungsunfähigkeit*). An insolvency based on over-indebtedness (*Überschuldung*) does not apply to natural persons.

To the extent a natural person resident in Germany does not operate commercially (and has not done so recently), the consumer insolvency proceedings (*Verbraucherinsolvenzverfahren*) might apply to any such natural persons. These insolvency proceedings include three stages: (1) Prior to the filing for insolvency, the debtor has to set up and offer its creditors a plan to settle his debts in the course of an out-of-court debt-adjustment procedure (*außergerichtliches Schuldenbereinigungsverfahren*). During this out-of-court procedure, the general rules apply with respect to an enforcement of security interests, *i.e.*, there are no restrictions on enforcement of security. (2) If the debtor fails to reach a settlement with its creditors, he/she may file for insolvency. The insolvency court may then initiate an in-court debt-adjustment procedure (*gerichtliches Schuldenbereinigungsverfahren*) in which the court may, under certain circumstances, replace a creditor's objection to a settlement (*cram-down*). During this in-court procedure, the preliminary insolvency proceedings (*vorläufiges Insolvenzverfahren*) are pending but the court may order preliminary restrictions on enforcement of security. (3) If the in-court procedure also fails, the court may open insolvency proceedings. With respect to security interests granted by a natural person, the insolvency proceedings do not differ much from the general insolvency proceedings. The consumer insolvency proceedings may also include an insolvency plan (*Insolvenzplan*) but the debtor may not apply for debtor-in-possession status (*Eigenverwaltung*). If not the natural person but one of its creditors files for insolvency over the assets of the natural person, the court allows the natural person/debtor to file for insolvency as well. If the debtor does so, he/she has to follow the above mentioned three steps. If the debtor refuses to file for insolvency, the court may directly open insolvency proceedings.

Natural persons may under certain circumstances apply to be discharged from all residual debt remaining at the end of an insolvency proceeding (*Restschuldbefreiung*) if they agree to assign the seizable part of their wages for a period of generally six years from the opening of the insolvency proceedings to a court-appointed trustee. The period can be reduced, *e.g.,* to five years if the debtor has paid all costs of the proceedings or even three years if the debtor has paid all costs of the proceedings and the amount that has been paid to the trustee is sufficient to repay at least 35% of the debt. The insolvency creditors may request the court to deny the discharge based on certain reasons stated in the German Insolvency Code (*Insolvenzordnung*). The discharge of all residual debt would generally not affect the security interests granted by the respective natural person that is subject to the insolvency proceedings as the German Insolvency Code (*Insolvenzordnung*) excludes certain security interests from the effects of the discharge.

An insolvency administrator may void the granting of guarantees, security interests, payments made by consumers, etc., by the insolvent natural person. See ''*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Germany—German insolvency proceedings regarding natural persons*.''

Austria

The Austrian regulatory environment is generally favorable towards debt collection services. Litigation proceedings can take eight to 12 weeks for dunning procedures and up to a year for ordinary legal proceedings. Furthermore, executory titles last for 30 years and can be reactivated multiple times within this period.

Amicable settlements and fast-track proceedings are typically considered before engaging Austria's tribunals. Fast-track proceedings are available when the debt is undisputed. For claims under €75,000, creditors may request the local court to issue a payment order, instructing that payment in full including interest and court costs must be completed within 14 days.

Creditors are furthermore entitled to charge recovery costs, which, according to §1333 ABGB, must be proportionate to the extent of delays in obtaining payment.

See also ''*Regulation*.''

OUR BUSINESS

Overview

We are one of the largest receivables management businesses in Europe by revenue and ERC on purchased debt portfolios and current outstanding face value of debt portfolios managed on behalf of third parties. We believe we are well positioned to expand into other European consumer credit markets and we believe our Group has strong growth prospects in the two largest European consumer credit markets (the UK and Germany). These growth prospects are supported by our clear core competencies: (i) longstanding and multifaceted client relationships built on differentiated strategies for originating new business; (ii) a broad business model that is diversified across product offerings, markets and sectors; (iii) a strong track record of return on capital and reliable portfolio pricing; (iv) a cash-generation capability featuring high predictability and visibility into future cash flows; and (v) a robust governance framework with a focus on reputation and compliance that we believe is embedded in our operational activity.

With respect to our debt purchase business, as of June 30, 2017, we had invested a total of £1.7 billion in the acquisition of 1,869 debt portfolios with an aggregate face value of £22.9 billion. As of June 30, 2017, the Gross Money Multiple for our purchased debt portfolios was 2.4x in our UK Division and 3.2x in our DACH Division (which is currently comprised of Germany, Austria, Switzerland, Croatia and Slovenia). We generated total revenue of £511.7 million, operating profit of £128.0 million and *Pro Forma* Adjusted EBITDA of £287.1 million for the twelve months ended June 30, 2017, which has consistently increased since 2015. For the year ended December 31, 2016, we generated total revenue of £454.2 million and operating profit of £109.8 million. Our Group ERC was approximately £2.0 billion as of June 30, 2017 (representing a consistent increase since 2015). We generated revenue from debt purchases of £334.0 million and from third-party collections (''**3PC**'') of £104.7 million for the twelve months ended June 30, 2017, excluding lawyer service revenue. For the year ended December 31, 2016, our revenue from debt purchases was £291.3 million and from 3PC was £82.9 million, excluding lawyer service revenue. As of June 30, 2017, we had £10.0 billion (as of June 30, 2016 £8.1 billion) in face value of third-party debt under management. For further information on third-party debt under management, see ''*Summary Non-Financial Operating Data of the Group—Key Performance Indicators and Other Operating Data for the Group.*'' For a discussion of how our UK Division and our DACH Division determine their respective number of portfolios purchased during a given period, see ''*Summary Non-Financial Operating Data of the Group—Portfolio Purchases Face Value of Purchased Debt & Gross Money Multiples by Vintage*,'' note 1. For a discussion of how we define *Pro Forma* Adjusted EBITDA and Group ERC, see ''*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures*'' and ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.''

We enjoy a leading position in the UK and Germany, our two core markets, built on the key capabilities of our UK Division and DACH Division, respectively. Following our acquisition of IS Group Management GmbH (''**IS Inkasso Service**'') in May 2016 and the Tesch Group in September 2016, we now also enjoy a leading position in Austria in 3PC services and benefit from a strong position in 3PC services in Germany, including a leading position in the utilities sector. We have built our reputation in the UK as a preeminent debt purchaser as a result of advanced decision science, the unique insights we derive from our comprehensive consumer information databases and our highly efficient operational platform. Best practices relating to our sophisticated pricing, decision science and cost-optimization experience are continuously shared across our business.

We believe the competitive advantages and competencies of each of our divisions represent industry best practice, allowing us to maintain our position as a preeminent player in the European receivables management services sector. As our combined business continues to develop, we expect to further capitalize on our strengths by: (i) delivering a multi-product, multi-service and pan-regional offering while maintaining clear pricing discipline; (ii) establishing an industry benchmark for operational excellence through investments in our one-stop service offering; (iii) maintaining our reputation for pioneering insights by continuously improving our IT, data and collection platforms through innovations and investment; (iv) continuing to take a best practices approach to our client relationships; and (v) continuing to invest in our employees and corporate culture.

Our History

Since the completion of the Lowell Acquisition in October 2015, our Group, which is controlled by Permira, historically operated through two entities: (i) Metis Bidco Limited and its consolidated direct and indirect subsidiaries, which operate in the UK, and (ii) GFKL Holdco and its consolidated direct and indirect subsidiaries, which operate primarily in Germany. As of April 2017, we rebranded the Group as ''Lowell'' and primarily operate at a Group level, with two divisions: our ''UK Division'' and our ''DACH Division.''

Headquartered in Leeds (UK) and Essen (DACH), the Group had 2,890 FTEs, as of June 30, 2017, of which 1,634 and 1,256 are part of the UK Division and DACH Division, respectively.

Our UK Division was established in 2004 and is a leading provider of receivables management services in the UK, the sole jurisdiction in which it operates. While our UK Division focuses mainly on debt purchase, it performs limited third-party collection services in several sectors and offers a growing selection of other receivables management services. Metis Bidco Limited and its consolidated direct and indirect subsidiaries are now contained within our UK Division following our rebranding in April 2017.

Our DACH Division was founded in 1992 and is a leading provider of receivables management services in Germany. In addition to Germany, the DACH Division has operations in Austria, Switzerland, Croatia and Slovenia. Our DACH Division is active across the full value chain of receivables management. GFKL Holdco and its consolidated direct and indirect subsidiaries are now contained within the DACH Division following our rebranding in April 2017.

Our Key Strengths

Leading Positions in Europe's Two Largest Consumer Credit Markets

The UK Division and DACH Division, our two market-leading and complementary operational divisions, operate primarily in the two largest consumer credit markets in Europe, the UK and Germany. The UK had approximately £201 billion and Germany had approximately £166 billion of consumer credit outstanding as of June 2017, according to the Bank of England and the European Central Bank, respectively. In addition, both the UK and Germany experienced increasing amounts of new consumer credit origination annually, with £260 billion and £84 billion in new flows, respectively, in 2016, according to Bank of England and Deutsche Bundesbank, respectively. In the UK, we are a leading purchaser of defaulted consumer debt portfolios as measured by purchased receivables under management. In the twelve months ended June 30, 2017, we invested £230.2 million to purchase debt portfolios with an aggregate face value of £1.5 billion in the UK. According to management estimates, we believe this investment represented approximately 30% of total debt portfolio purchases (including recessionary delayed sales) in the UK.

In addition, we believe that by focusing on a broad range of sectors, we are able to address a greater portion of all consumer credit volumes generated annually in the UK and Germany than we would be able to address with a less comprehensive approach. We are a market leader and a pioneer in servicing debt originators across multiple sectors. In the UK, for the twelve months ended June 30, 2017, we believe we had a market-leading share of debt portfolio purchases in each of the telecommunications sector, the retail sector and the low-balance segment of the financial services sector of the UK debt purchase market, as well as a top-tier position in the public sector of the UK third-party collection services market. In Germany, we believe we are the number three receivables management company by revenue. Additionally, we believe we hold market-leading positions in the insurance and fitness sectors and top-five positions in the financial services, telecommunications and utilities and top-ten positions in public and retail sectors according to management estimates. We have a strong track record of successfully entering new market sectors and gaining high market shares in those sectors, such as the telecommunications, retail and public sectors in the UK and the insurance and fitness sectors in Germany.

We believe our scale provides key benefits critical to our success. For example, we believe we are able to develop and maintain a superior operating platform, with highly skilled talent, customized IT systems and sophisticated analytical and data capabilities that drive pricing and debt-collection efficiencies. We believe our scale also enables us to absorb costs associated with legal obligations and regulatory oversight. Further, we believe our scale allows us to provide our clients with a comprehensive service offering capable of addressing our clients' needs throughout the debt recovery cycle. Due to our ability to provide a one-stop service offering, we believe we are able to better maintain and develop relationships with large debt originators than our smaller peers in the UK and DACH markets, and as a result, are better positioned, including with respect to the number of our owned consumer accounts, than our smaller peers for rapid growth in the consolidating UK and DACH markets.

Attractive Market Dynamics Supporting Growth and Profitability

We believe that the characteristics of the two core markets in which we operate are conducive to sustainable growth and profitability for our combined Group. Both the UK and Germany have historically benefited from stable macroeconomic conditions, including real GDP growth, low inflation, low interest rates and low unemployment levels. Although Brexit has caused uncertainty and we expect this uncertainty to persist over the short to medium term, we believe that the UK will continue to benefit from overall stable macroeconomic conditions. In addition, we believe that the legal and regulatory environment in each jurisdiction is strong and stable, which, in our view, fosters market stability. We believe that, despite any short-term uncertainty following Brexit, the UK will continue to have a stable legal and regulatory environment as it applies to our business. We also believe that the demanding nature of regulatory compliance in both the UK and Germany can be burdensome to small businesses and may therefore increase consolidation opportunities for large players in the receivables management market. In addition, we believe that Austria largely benefits from similar business and macroeconomic conditions as Germany.

Moreover, the markets in which we operate comprise a diverse range of sectors in which consumer debt is originated (*e.g.*, the financial services, insurance, retail, telecommunications, public and utilities sectors, among others). We believe we are able to develop business in this broad range of sectors in part because receivables management companies such as ours can provide certain benefits to debt originators across sectors, including consumer insights and cost reductions due to reduced administrative and labor costs, improved collection rates and a more professional approach to debt collection. Further, debt originators' outsourcing of the debt collection process yields the additional benefit for the debt originator of reducing management time devoted to what is typically a non-core activity, while also providing additional consistency in debt handling with a more robustly documented audit trail.

We expect loan sale activity to continue for the remainder of 2017. We believe that the consumer credit market in the UK has several distinctive features that make it attractive to receivables management companies like us. We believe that the UK is the largest consumer credit market in Europe with an estimated £201 billion of outstanding debt as of June 2017 according to the Bank of England. In addition, we believe that the UK has the largest consumer NPL markets in Europe by face value of defaulted debt sold annually. We believe that the UK consumer NPL market is consolidating around a small number of sophisticated and large-scale players, such as our UK business, which we believe are competitively advantaged to grow more quickly, and at higher levels of profitability, than their smaller peers. We believe such players have a number of structural advantages, including, for example, an ability to exploit more extensive consumer databases, a heightened capacity to absorb the burdens of an increasingly demanding compliance environment and an ability to more readily develop a comprehensive service offering for their clients. Moreover, management has observed a growing propensity on the part of UK debt originators to sell debt portfolios earlier in the recovery process, and we believe that their demand for other receivables management services throughout the credit cycle is likely to increase.

The consumer credit market in Germany is also distinguished by several features that, in our view, make it attractive to receivables management companies. We believe that Germany is the second largest consumer credit market in Europe, with an estimated £166 billion of outstanding debt as of June 2017 according to the European Central Bank. In addition, Germany boasts a large stock of overall defaulted debt and is also one of the largest consumer NPL markets in Europe by flow of newly created unsecured consumer defaulted debt. A diverse range of German businesses, from sectors such as financial services, fitness, retail and telecommunications, originates consumer credit from a diverse consumer base. These businesses use a varied set of collection methods to support the debt recovery process and typically outsource the majority of their receivables collections. Moreover, management has observed demand among German debt originators for BPO services and a willingness on the part of German debt originators to outsource collection in the early stages of the recovery process (for example, by as early as 45 days after the original payment due date). Since the German receivables management market is highly fragmented, with approximately 600 to 900 players, we believe that large players, such as the Group, have a competitive advantage due to their scale and the breadth of their client relationships. In addition, we believe that Germany has both a strong repayment culture and creditor-friendly laws and regulations, and that together these features create a favorable environment for debt collection. Creditors in Germany benefit from a long enforcement period against consumers, since the statutory limitation period in Germany for applying for and obtaining an enforcement title against consumers is generally three years and, once obtained, the enforcement title is valid for 30 years. Further, under German law, creditors are generally entitled to charge additional amounts to the consumer as damage caused by delayed payment, including default interest, the costs of third-party collection services and legal costs. Each of these factors has, in our view, helped to drive up the profitability of debt collection in Germany.

A Balanced Business Model with Significant Diversification Benefits

We operate a balanced and diversified business model in the two largest European consumer credit markets, with 81% and 19% of cash income in the twelve months ended June 30, 2017 generated from our debt purchase businesses and third-party collection services, respectively. For the year ended December 31, 2016, 83% and 17% of cash income was generated from our debt purchase businesses and third-party collection, respectively. During the twelve months ended June 30, 2017, we earned revenue from a wide client base with 62 different originators (excluding a one-off secondary purchase) for our debt purchasing business and 85 different originators for our third-party collection services. In addition, our client base encompasses clients in the financial services, insurance, retail, telecommunications, fitness, public and utilities sectors, among others. We believe we have the most diversified industry mix among our peers. For the twelve months ended June 30, 2017, our debt purchase gross collections split by industry was financial services (43%), retail (29%), telecommunications (24%), fitness (2%) and other (2%). As of June 30, 2017, our Group 120-month ERC split by industry was financial services (47%), retail (26%), telecommunications (23%), fitness (1%) and other (3%) (UK Division ERC split: 50% for non-financial services and 50% for financial services; DACH Division ERC split: 62% for non-financial services and 38% for financial services). As of June 30, 2017, our Group NPL acquisitions split by industry was financial services (39%), retail (36%), telecommunications (20%) and other (5%). We are able to provide these clients with a one-stop service offering that includes third-party collection services, risk management and BPO services. We believe this one-stop service offering helps us both to build strategic partnerships and to embed ourselves further in our clients' credit-management processes. For example, management has observed that our provision of third-party debt collection services can lead to debt purchases and help improve our debt portfolio modeling.

In addition to diversification, we believe our UK Division and DACH Division allow us to realize a number of key benefits that we expect will provide us with key competitive advantages. For the twelve months ended June 30, 2017, our UK and DACH Divisions contributed 62% and 38%, respectively, to our cash income. Since we make our investment decisions at the Group level, we believe we may have increased flexibility with respect to both originating new business and allocating capital across markets, sectors and clients to wherever the returns are most attractive. We believe that this increased flexibility enhances our adaptability and resilience in changing market trends and economic cycles. Moreover, since we have a higher volume of accounts, spread across a more diverse array of sectors and debt originators, we believe we are advantaged in our pricing accuracy and our ability to enhance the efficiency of our collection processes. Furthermore, we also enjoy a market leading position in Austria, as well as a meaningful presence in Switzerland, Croatia and Slovenia.

A Consumer-Centric Approach at the Core of our Business

Our collection rate is dependent on our ability to both understand consumers and to treat them fairly and with respect. We believe that by treating our consumers in this manner, and by ensuring regulatory compliance and maintaining a strong risk management discipline within our Group, we are able to maintain and foster a positive reputation. We believe that having a positive reputation is a key factor to our success as a debt servicing company.

Our UK Division has received numerous accolades for its strong track record with respect to the quality of its customer service. In addition, in 2016 and 2017, respectively, our UK Division received a Net Promoter Score of +39 and +47. We believe that this score demonstrates that our approach of working with consumers to agree on a mutually acceptable payment plan tailored to the consumer's personal circumstances results in positive consumer relationships. Our 2016 and 2017 Net Promoter Score is much stronger than that of many other financial services companies, which often fail to achieve a positive Net Promoter Score. Our Net Promoter Score also exceeded the scores received by most well-known retail banks in the UK, which we believe is particularly remarkable given our consumers do not choose to have their debt managed by the Group. This has been followed by a 'Gold Award' in 2017 (previous 'star' ratings have been replaced with bronze, silver and gold awards and Lowell was the first company to receive the Gold Award). Our DACH Division has also been recognized for its consumer service. We received the highest S&P Servicer Rating among German receivables management service providers in 2015.

These achievements are a product of our focus on risk management. Our risk management framework is grounded in our management structure, our processes and a ''three lines of defense'' risk-management (see ''*Our Business—Compliance and Risk Management*'' for a description of the ''three lines of defense'' model) that we believe mirrors the highest risk-management standards in the financial services markets in which we operate. We have implemented our risk-management approach with oversight from our Group's internal audit function. Compliance is at the heart of our Group's operations. We believe that we have a strong track record with respect to consumer complaints in both the UK and Germany. For example, for the twelve months ended June 30, 2017, the FOS-filed complaint ratio in our UK Division was low, with 25.5 cases filed per one million active financial services accounts. In our DACH Division (excluding the Tesch Group), we received, on average, only 0.00273% new consumer complaints per year as a percentage of active accounts for the six months ended June 30, 2017.

We believe the decision science that underlies our collection techniques contributes to our ability to manage compliance and reputational risk. We further believe that our focus on and extensive experience in compliance and risk management resonate well with debt originators and provide us with a competitive advantage in the UK and DACH regulatory environments, which, though different in their particular legal frameworks and regulations, are similarly well-developed, robust and stable. It is our view that the well-developed nature of such environments provides us with a competitive advantage and favors strong market participants, such as our Group, which has the scale and experience necessary to meet demanding compliance requirements.

Competitive Advantage Embedded in Sophisticated Data Analytics

The Group is supported by what we believe to be industry-leading IT and data platforms in our markets, which we are continuously investing in to build a scalable platform. Through our consumer database, which we believe to also be industry-leading (we currently hold data on one in five UK Division consumers over the age of 18, and one in seven German consumers), we have developed proprietary behavioral and asset valuation models, custom software applications and a variety of other business tools. Our systems are technologically sophisticated, highly automated and driven by data derived from our databases of owned and serviced consumer portfolios in the UK and DACH markets, and we believe that we have the largest databases in each of the UK and Germany. As of June 30, 2017, our systems held data derived from the transactional records of some 27.4 million consumer accounts contained in 1,869 NPL portfolios. Since we have historically favored low-balance consumer accounts, we believe we have been able to accumulate a higher volume of consumer accounts per portfolio purchased than competitors that favor consumer accounts with higher balances. Moreover, we believe that our data systems benefit from a virtuous circle that further strengthens our informational advantage relative to that of our competitors: in our experience, the more debt portfolios we service or purchase, the more data and collection experience we derive and the more accurate our tracing and pricing systems become. We also believe that our systems' increasing sophistication has the additional benefit of making them increasingly difficult to replicate.

Our IT and data platforms are subject to an ongoing process of improvement and innovation, which we support with ongoing investment. We believe that our sophisticated and scalable IT and data platforms, in which we have made robust investments, provide significant competitive advantages. In our experience, our automated pricing models and tracing systems have helped to increase the accuracy with which we price both debt portfolios and third-party collection service contracts, thereby increasing our chance to win a bid at the right price while reducing our downside risk on the purchased debt portfolio or signed contract. We believe that our data platforms enable us to pursue more sophisticated collection strategies, which in turn lead to increased collection efficiency and reduced collection costs. Further, we believe our sophisticated IT and data platforms allow us to compete effectively in sectors in which our peers struggle to generate sufficient returns, in particular in low-balance sectors such as retail, telecommunications and utilities.

Strong Track Record of Return on Capital and Portfolio Pricing Through the Cycle

We believe that we have a track record of strong and stable return on capital supported by continuous improvement in decision science and the use of feedback from our collection operations. Our aggregate

Gross Money Multiple on portfolios purchased as of June 30, 2017 was 2.4x in our UK Division and 3.2x in our DACH Division, and our Gross Money Multiples, other than in the financial services sector, often exceed these aggregate figures. Moreover, since we make investment decisions at the Group level, we believe that we are able to deploy our capital across our UK Division and DACH Division to wherever returns are most promising, which we believe contributes to our ability to maintain high returns on capital. We believe that continuous improvement in decision science and leveraging feedback from collection operations have helped our UK Division and DACH Division strengthen their underwriting, resulting in a narrower disparity between forecasted and actual returns. Our historical actual collections compared to forecast collections demonstrates our accurate and disciplined yet prudent forecasting. Even during more challenging economic environments, such as the 2007 to 2010 financial crisis, our actual collections exceeded our forecasted collections. Our Group's actual collections were 100% of our forecasted collections for the twelve months ended December 31, 2015 and 104% of our forecasted collections for the twelve months ended December 31, 2016. Our Group's actual collections were 105% of our forecasted collections for the six months ended June 30, 2017.

We believe that our disciplined approach to portfolio pricing has helped us to avoid overbidding on debt portfolios. Our portfolio pricing process begins with a rigorous and extensive due diligence and valuation exercise, which may involve, among other things, building a synthetic debt portfolio with actual performance data and similar consumer characteristics and/or performing on-site file testing to assess the underlying quality of the debt portfolio before submitting our final bid. Our due diligence and valuation methods benefit from the market-leading scale of our data, our sophisticated and automated data systems and our experienced and skilled portfolio pricing specialists. Our ability to leverage our own data and our specific expertise and databases from comparable portfolios across many sectors minimizes risk and helps to ensure accurate pricing bolstered by strong in-house analytical capabilities. Upon the successful completion of due diligence, a debt portfolio is subject to a clear and systematic internal review and approval process culminating in a decision to either approve or reject the proposed portfolio investment.

High Visibility into Future Cash Flow Generation

Our debt portfolio purchase business provides excellent visibility into future earnings, as well as substantial cash-flow generation backed by a significant asset base. Although our ERC metrics extend for 120 months and 180 months for the UK Division and DACH Division, respectively, a majority of our collections occur within the first 48 months. We expect approximately 38% of our Group 120-month ERC to be generated within the next 24 months and approximately 62% to be generated within the 48-month period. As of June 30, 2017, we owned 1,869 debt portfolios and our Group ERC was £1,973.1 million. To date we have invested £1.7 billion in defaulted debt portfolios, resulting in an aggregate Gross Money Multiple on portfolios purchased as of June 30, 2017 of 2.4x for our UK Division and 3.2x for our DACH Division. For a discussion of how we determine the number of portfolios purchased during a given period, see ''*Summary Non-Financial Operating Data of the Group—Portfolio Purchases Face Value of Purchased Debt & Gross Money Multiples by Vintage*,'' note 1. In addition, we believe that our Group ERC forecast is reliable and resilient, a significant proportion of our future collections is tied to long-term repayment plans across a diverse range of portfolios. We believe we take a cautious approach to repayment by attempting to establish recurring payment methods with lower rates of default, such as direct debits and continuous payment authorizations on debit and credit cards.

In addition, we believe that the multi-year nature of our forward flow agreements helps to provide us with visibility into new business origination and expected returns. In the twelve months ended June 30, 2017, 44% by total purchase price for our UK Division's debt portfolio purchases came from forward flow agreements, which were entered into with 14 debt originators and carried fixed terms for up to five years. As of June 30, 2017, we had sight of forward flow agreements that are at least £275 million for the next five years. In the four years ended June 30, 2017, 50% of our UK Division's re-tendered forward flow agreements have been renewed at least once. Forward flow agreements accounted for 45% of our DACH Division's debt portfolio purchases by total purchase price in the twelve months ended June 30, 2017, and on Group level, our forward flow purchases for the twelve months ended June 30, 2017 have increased as compared to the twelve months ended June 30, 2016.

In addition, we believe that the volume of debt portfolios we purchase from repeat clients (*i.e.*, clients with which we previously concluded a spot purchase or forward flow agreement) helps to strengthen our visibility into new business and future cash flow generation. Repeat clients accounted for approximately 82% of the total price paid for our UK Division's purchased debt portfolios and 82% of the total price paid for our DACH Division's purchased debt portfolios in the twelve months ended June 30, 2017. In addition, our portfolio purchases for the twelve months ended June 30, 2017 have increased as compared to the twelve months ended June 30, 2016. We believe that our significant asset base of debt portfolios is capable of continuing to yield predictable cash flows. Most of the payments on our portfolios are made through payment plans.

Our DACH Division's third-party collection services business is also cash generative and typically enables us to scale our business without requiring significant incremental investments. We believe that the contractual arrangements in our DACH Division's third-party collection services business, which are both stable and of increasing durations (notably for contracts with large, well-known clients), provide visibility into future collections, the fees we derive from them as well as associated cash-flow generation. As a Group, our third-party collections for the twelve months ended June 30, 2017 have increased as compared to the twelve months ended June 30, 2016.

Our Adjusted EBITDA was £284.4 million for the twelve months ended June 30, 2017, and our operating profit was £109.8 million for the year ended December 31, 2016. For more information regarding Adjusted EBITDA and cash conversion, see ''*Presentation of Financial and Other Information—Non-IFRS Measures*.''

Management Team Supported by Skilled and High-Quality Business Professionals

We are managed by a strong executive team, which comprises individuals with many years of relevant experience and provides leadership across all functional areas of our business. In particular, we believe that our combined business will have one of the most experienced senior management teams among European receivables management companies. For example, our CEO served as CEO of our UK business since it was established in 2004, and our CFO has over 21 years of relevant senior management experience in financial services.

In addition, strong teams of qualified professionals, who are drawn from the wider financial services industry and other large corporate entities involved in consumer outreach, support our senior management team by performing central business functions and assisting in the execution of our strategy. These skilled managers are supported by a workforce of approximately 2,890 FTEs as of June 30, 2017. We continuously invest in our employees with sustained efforts to create an inclusive and staff-friendly work environment and to provide meaningful career-development opportunities.

Our combined corporate governance structure is intended to provide strong oversight and to support decision-making while retaining the entrepreneurial spirit and market specific knowledge required to extend our strong track record of growth and profitability. Our executive teams have established compliance frameworks, operational procedures and governance structures, supported by a number of proprietary systems, to enable us to conduct business in accordance with applicable rules, regulations and guidance.

Our Strategy

Develop Sustainable Competitive Advantage in Chosen Markets Facilitate Continued Growth

Our strategy is ultimately to become the leading multi-product and multi-service provider of receivables management services in our chosen markets. We believe that we have proven that the separate but complementary sets of competitive advantages possessed by our two core divisions are essential to helping us achieve this objective. Our UK Division is a leader in the UK receivables management market and possesses one of the most sophisticated debt purchase platforms in Europe. Our DACH Division is a leading player in the DACH debt purchase and third-party collection services markets and provides our clients with a diversified service offering that harnesses our expertise in a range of receivables management services, including BPO and risk-management services. By sharing best practices within the Group and utilizing our complementary competencies in debt purchasing and outsourced credit services, we believe the strength of each of our UK Division and DACH Division enables us seize new opportunities to help us expand our offering both geographically and throughout several key market sectors.

Our pricing discipline and systematic, objective pricing processes remain an integral part of our strategy and lay the foundation for us to build a sustainable competitive advantage. We believe that as a result of our pricing discipline, among other factors, we have been able to grow our asset base and profits, notwithstanding the changing economic environment, and have maintained stable, strong and predictable overall return on capital across our sectors. We plan to continue to invest in our pricing methodologies and capitalize on the virtuous circle by which the consumer profiles and collections data we gather each month continuously add to the accuracy and sophistication of our systems and models. Moreover, since we make investment decisions at the Group level, we believe we are able to deploy our capital across our UK Division and DACH Division to wherever returns are most promising, which we believe contributes to our ability to maintain high returns on capital.

Establish an Industry Benchmark for Operational Excellence Through a Diversified One-Stop Offering

We believe that debt originators are increasingly seeking a holistic, cost-efficient and fully compliant approach to receivables management. To address this growing need, we aim to continue to develop our one-stop service offering, a differentiated services offering that addresses each step of the debt recovery cycle and thereby helps us to further embed our operations within those of our clients. We intend to diversify our one-stop service offering in a number of ways, including, for example, by further capitalizing on our DACH Division's experience in BPO and carve-out transactions. Moreover, we have a strong track record of opening new sectors to the receivables management market, and we seek to continue to build relationships with entities that have not previously sold debt portfolios or purchased receivables management services. For example, Interlaken, our third-party collection services platform in the UK, has enabled us to enter the public sector market, since it is one of a select group of debt collection agencies chosen by HM Revenue & Customs, the UK's tax and customs authority, to provide collection services for central government departments. We currently operate primarily in the UK, Germany and Austria, with a meaningful presence in Switzerland, Croatia and Slovenia. Our geographic diversity means that we are in a position to fully leverage our geographic footprint by launching products which have been successful in one market into our other markets. Our longstanding client relationships and high volumes of data in our core UK and DACH markets, along with our meaningful presence throughout our other markets, contribute to our ability to anticipate our clients' changing needs while identifying new market opportunities.

Our strategy is focused on building our current share of the receivables management markets in the UK and the DACH region by continuing to work closely with the main debt originators in each of our key sectors. We have adopted a proactive approach to managing our relationships with debt originators, with an emphasis on transparency and building longstanding professional relationships based on a granular understanding of a debt originator's business and receivables management services requirements. This local, specialized approach to our client relationships allows us to provide specialized offerings that have been tailored to reflect the consumer's individual needs.

Maintain Our Reputation for Pioneering Insights by Continuously Improving our IT, Data Analytics, Data Science and Collection Platforms through Innovations and Investment

We are continuously looking to improve our IT, data analytics, data science and collection platforms and processes and harmonize our core applications in order to strengthen our services offering and operate more efficiently. We aim to extend our strong track record of implementing incremental technological and collection process improvements, which have contributed to enhanced performance and increased efficiency throughout our business. For example, in the UK we are actively deploying technology, including the BLAZE software platform that allows us to pursue more customizable strategies, through which we are able to more closely tailor our contact to the consumer's unique circumstances. In addition, on a Group-wide basis we are implementing a multi-channel digital strategy to better connect with our consumers. We believe these initiatives will improve the efficiency of our operations platform through cost reductions, increased collections or a combination of these two effects. Sophisticated data analytics underpin our disciplined approach to pricing and investment decisions, which we believe are an integral part of our strategy and which differentiate us from our competition.

Consumer Focus and Relationships that Provide Long-Term Value Creation

We aim to continue our discipline of operating ethically, transparently and in compliance with all applicable rules, regulations and guidance. We intend to focus on providing a fair, understanding and consumer centric approach to our debt collection services. To that end, we intend to work with each consumer to develop a realistic and sustainable payment plan that is tailor-made to the consumer's circumstances and allows the consumer to restore his or her financial standing and continue to access mainstream credit products. To maintain and enhance this individualized approach to our consumers, we intend to continue to leverage our decision science capabilities in order to help ensure that the consumer profiles we build are as accurate and up-to-date as possible. We aim to communicate closely, clearly and transparently with the consumer and strive to understand their situation and circumstances. We believe that clear communication will enable us to have visibility with regard to the timing and profile of future collections.

As the legal and regulatory environments in which we operate continue to evolve, we intend to adapt our culture, practices and policies appropriately, while always seeking to be the model that others look to for compliance standards and best practices. Compliance is an increasingly important differentiating factor in our industry and in the markets in which we operate. We believe that our focus on compliance reassures our clients that their customers and reputations are in safe hands, and thus will give us a key competitive advantage going forward.

Continue to Invest in Our Employees and Corporate Culture

Our reputation is extremely important to us, both among our clients and among our employees. We search for people with enthusiasm, passion and commitment and when we find them, we invest in them heavily in order to deliver on our promises of connection, communication, development, involvement, recognition and reward. They create the culture that defines our business, protects our reputation and drives our performance, and they constitute the primary component of our consumers' experience. We strive to build a unique corporate culture in which our people are imbued with a sense of engagement and belonging. We believe that our focus on our people and our efforts to build a unique corporate culture help to drive our collection performance and contribute to our ability to provide an enhanced consumer experience.

Participate Opportunistically in Consolidation of our Industry when Accretive Opportunities Exist

We have a strong track record of selective and accretive expansion in the UK and Germany, as demonstrated by our acquisition of Interlaken in 2013, our acquisitions of ITT and DMA in 2014, our acquisition of IS Inkasso Service in May 2016, the Tesch Group in September 2016 and Apontas in October 2016. As our business continues to develop, we intend to continue to participate opportunistically in the consolidation of the European receivables management industry in order to build scale, address untapped consumer segments and create new relationships with debt originators. We intend to strategically pursue further carve-out transactions with current clients and credit-accretive bolt-on acquisitions. We will continue to apply our strong and disciplined approach to valuation in connection with these potential acquisitions.

Operations and Service Offerings

We believe the Group is one of Europe's leading providers of receivables management services specializing in debt recovery. Our experience, expertise and core strengths in data analytics and operational efficiency underpin our vision to be the most reputable and trusted partner in the European credit management sector. In both the UK and Germany, we provide a full-service offering, covering the debt collection value chain, consisting primarily of purchases of debt portfolios, as well as third-party collection services and other receivables management services. We believe this offering provides our clients with a ''one-stop shop'' solution that delivers value throughout the credit lifecycle. Furthermore, we believe that many of our clients have significant incentives to outsource their debt collection or to sell their portfolios of overdue debt as a result, for example, of their strategy to focus on core business activities that do not include defaulted debt management.

The table below sets forth the Group's revenue by business for the twelve months ended June 30, 2017.

	For the year ended December 31, 2016	For the twelve months ended June 30, 2017
	(£ million)	
	(audited)	(unaudited)
Debt purchase	291.3	334.0
Third-party collection, related services and other services[(1)]	162.9	177.6
Total	**454.2**	**511.7**

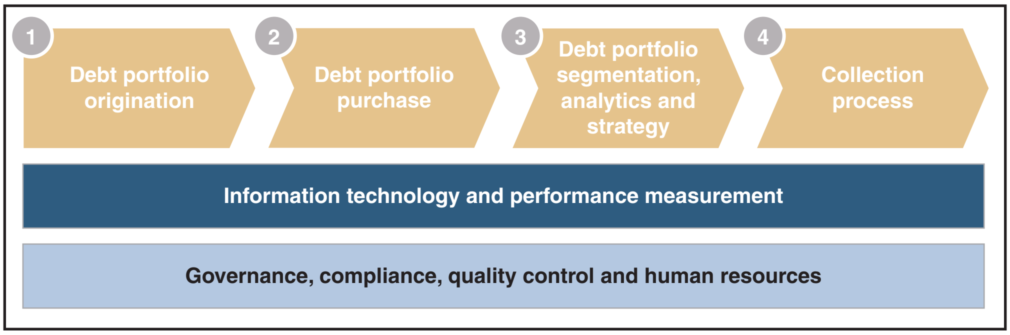
(1) Includes lawyer service revenue of £69.7 million in the twelve months ended June 30, 2017 and £77.1 million in the year ended December 31, 2016, as well as other service revenue and programming and maintenance revenue. Our DACH Division typically earns outsourcing revenue from lawyers only where it has engaged such lawyers to assist with its collection efforts in the DACH region. The outsourcing revenue from lawyers does not have a positive impact on our Adjusted EBITDA or net income, since the fees we pay to lawyers are higher than the related outsourcing revenue we earn.

Our Gross Collections on purchased debt based on the Group's revenue for the 12 months ended June 30, 2017 (excluding lawyer service revenue), generated a revenue split amongst our clients across several industries, including financial services (43%), retail (29%), telecommunications (24%), fitness (2%) and other (2%). Our Gross Collections on purchased debt based on the Group's revenue for the year ended December 31, 2016 (excluding lawyer services revenue), generated a revenue split amongst our clients across several industries, including financial services (44%), retail (26%), telecommunications (24%), fitness (2%) and other (3%).

Our cash income (defined as total revenue for the period adding back portfolio amortization and portfolio fair value release and deducting portfolio write-up, lawyer service revenue and other revenue) based on the Group's revenue for the 12 months ended June 30, 2017 was £553.5 million and generated a revenue split by (i) geography: the UK (62%) and DACH (38%) and (ii) business segment: debt purchasing (81%) and third party collections and services (19%). Our cash income (defined as cash collections from owned assets plus cash commissions received from assets serviced) based on the Group's revenue for the year ended December 31, 2016 was £483 million (representing an increase over our prior year cash income) and generated a revenue split by (i) geography: the UK (63%) and DACH (37%) and (ii) business segment: debt purchasing (83%) and third party collections and services (17%).

Debt Purchase

We believe that bundling our expertise, knowledge and methods group-wide leads to an increase of effectiveness in our debt purchase process. As a result, a mutual standardized approach is followed across our divisions. To ensure the compliant execution and simultaneously the consideration of regional specifics a new Group function ''transaction management'' was implemented this year, which is embedded in the Group's business solutions department. This function is responsible for steering the debt purchase process and managing the required aspects of the purchase transaction. Most importantly, given the critical importance of our internal and external partnerships, it ensures the collaboration with decision science, operations, legal, and others areas to lead cross-functional deal teams and improve information flow while ensuring that all client and regulatory requirements are met or surpassed. The overarching process comprises four main stages: (1) debt portfolio origination; (2) debt portfolio purchase; (3) debt portfolio segmentation, analytics and strategy; and (4) the collection process.



Debt Portfolio Origination

Our UK Division's Debt Portfolio Origination

Our UK Division has been active in the UK debt purchase market since 2004 and, as of June 30, 2017, had purchased 1,519 debt portfolios from 63 clients, consisting of approximately 23.8 million accounts, for an acquisition cost of £1,302.5 million and a total debt portfolio face value of £17.9 billion. The majority of debt portfolios are currently offered to the market through spot sales featuring a competitive tender process, which typically involves three or four debt purchasers selected by the client. These auctions may be managed directly by the vendor or may be facilitated by an intermediary, such as TDX Group Limited. Other spot sales channels include, for example, an increasingly common bilateral process in which a debt portfolio is offered to a single purchaser on an exclusive basis. Furthermore, we have entered into forward flow agreements with a number of top debt originators, pursuant to which we have purchased all or substantially all of such debt originators' debt sales, subject to pre-agreed criteria. We generally enter into forward flow agreements through a competitive bidding process and renew such agreements on a bilateral basis. See ''*Debt Portfolio Purchase—Types of Debt Purchase Agreements—Forward flow agreements*.'' To facilitate our portfolio purchases, we maintain a live sales tracker with data on up to 12 months of forecast debt portfolio sales in the UK market, including estimates of face value, number of accounts, debt type, pricing and timing of individual acquisition opportunities. This tracker allows our executive team to actively pursue opportunities and tailor our strategy to changing conditions. This rolling 12-month forecast is reviewed by our sales team on a weekly basis and enables us to monitor the progress of our debt portfolio purchases throughout the relevant financial year.

Our DACH Division's Debt Portfolio Origination

Our DACH Division has been active in the DACH region debt purchase market since 2003 and, as of June 30, 2017, had purchased 350 debt portfolios consisting of approximately 7.0 million active and inactive accounts, for an acquisition cost of €480 million (£422 million) and a total debt portfolio face value of €5.6 billion (£4.9 billion). We acquire debt portfolios in the DACH region through spot sales and forward flow agreements, each of which can be transacted by way of market debt tender or off-market sales. We believe we are invited to nearly all major market debt tender processes in the German market. In a typical off-market sale, we are one of a limited number of purchasers in the DACH region engaged in discussions with a debt originator. In these situations, we have the opportunity to negotiate the content of the portfolio acquired and can work with the debt originator to agree on terms that maximize target outcomes for both parties. Our specialized sales teams maintain close relationships with debt originators and leverage those relationships, along with our strong reputation in the debt collection market of the DACH region, to win new business and thus to originate new portfolios.

We believe that we are uniquely situated in both the UK and DACH region markets in terms of the proportion of debt portfolios that each acquires pursuant to forward flow agreements.

Debt Portfolio Purchase

Our UK Division's Debt Portfolio Purchasing

In the UK, a debt portfolio vendor will supply interested parties with a tender document that includes debt portfolio information at an account level, which in our experience is typically stale and incomplete. Our automated portfolio pricing models and tracing systems, along with our significant track record with debt originators, provide us with the ability to evaluate a debt portfolio for sale in great detail before we make a decision to purchase. With what we believe to be the largest consumer database in the UK receivables management market and efficient tracing capabilities, we are able to supplement the information provided by the debt originator to improve our analysis of the portfolio. The high crossover rate of accounts between sectors further improves our tracing capabilities and increases the amount of consumer data we have available to inform our pricing decisions in the UK. Given the size of the reference database on our backbook, we have been able to carry out significant statistical analyses to determine the key variables that drive collection performance on consumer accounts. See ''*—Decision Science—Our UK Division's Decision Science.*'' We develop detailed collection curves and cost curves for a new debt portfolio to determine a maximum price to bid, while benchmarking the characteristics of the debt portfolio's consumer base against similar debt portfolios purchased from the same debt originators. We also build synthetic debt portfolios with actual performance data and consumer characteristics similar to those of the portfolio being considered. These methods allow us to make a detailed pricing recommendation to our UK Division Investment Committee, which will determine our final bid price. Due to our reputation and experience, we are invited to bid on a large proportion of debt sold in the UK market.

Our DACH Division's Debt Portfolio Purchasing

Prior to acquiring a debt portfolio, we evaluate the purchase opportunity through a multi-stage process generally consisting of two rounds of bidding, an indicative bid and a final bid, along with extensive due diligence throughout the process. As part of our due diligence, we receive both consumer information (*e.g.*, gender, age and address) and receivables information (*e.g.*, outstanding principal balance, interest and fees due, claim size and payment history information). If the debt originator accepts our indicative bid, it will then typically provide us with additional information on the portfolio, allowing us to perform a more complete review to determine the underlying quality of the portfolio. In this second phase of due diligence, we typically perform a detailed on-site assessment of the portfolio's value. In both the indicative and final bid stages, we use historical payment and reference portfolio analyses to determine a potential price that represents the discounted value of estimated cash flows net of costs. Our governance process with regard to new investments depends on the total amount to be invested. We bid on all investment opportunities initially brought to the investment committee. We win approximately 33% of all investment opportunities initially identified.

Types of Debt Purchase Agreements

In both the UK and Germany, we purchase debt portfolios pursuant to two types of arrangements: spot sales and forward flow agreements.

- **Spot sales.** We purchase debt portfolios through ''spot'' agreements, the terms of which are individually negotiated on a case-by-case basis. A spot agreement generally relates to a single portfolio. In the UK, spot sales may be conducted through auctions, bilateral sales or *in situ* sales. In Germany, spot sales are mostly conducted through auctions. For the 12 months ended June 30, 2017, spot agreements accounted for approximately 56% of the total purchase price of our UK Division's debt portfolio purchases (£128.9 million) and approximately 55% of the purchase price (or approximately €45.4 million (£39.0 million)) of our DACH Division's acquired portfolios. See ''*Industry and Market Data—Methods of Debt Sale—Spot sale*.''
- **Forward flow agreements.** A forward flow agreement is an agreement to sell several portfolios over a period of time at a predetermined price, specified credit quality and point in the debt recovery cycle. We have entered into forward flow agreements with a number of top debt originators. From the inception of our UK Division in June 2004 through June 2017, forward flow agreements accounted for approximately 40% of the total purchase price of our UK debt portfolio purchases. From the inception of our DACH Division in 2003 through June 31, 2017, 42% of the total purchase price of our DACH Division's debt portfolio purchases was purchased pursuant to forward flow agreements. For the twelve months ended June 30, 2017, forward flow agreements accounted for approximately 44% of the total purchase price of our UK Division's acquired portfolios and approximately 45% of the total purchase price of our DACH Division acquired portfolios, representing approximately £101.3 million and €36.5 million (£31.3 million) in spending for purchased debt, respectively.

Forward flow agreements enable us to benefit from tailored, long-term and continuous debt purchase arrangements. The long-term nature of forward flow agreements, combined with the ongoing debt originator relationships that result from them, provide us with visibility as to purchase volumes and expected returns. In addition, we are able to adjust the price of the new debt portfolios we purchase in the UK over the duration of a forward flow agreement in accordance with the performance of previously purchased portfolios, the quality of debt in the new portfolio and our current forecasts, which are derived from models mutually agreed between the debt originator and us. Going forward, we intend to explore the possibility of adding such pricing flexibility provisions to our DACH Division's forward flow agreements. Moreover, debt in portfolios acquired pursuant to forward flow agreements tends to be ''fresher'' than debt in portfolios sold by other means because there is less of a delay between when the debt is considered defaulted and when we can begin collections. As a general rule, the ''fresher'' the debt, the higher our collection expectations, since the amount of effort unsuccessfully expended to obtain a consumer payment increases as the debt ages. See ''*Industry and Market Data—Methods of Debt Sale—Forward flow agreement*.'' While the amount of our portfolio purchases remained largely unchanged in the six months ended June 30, 2017 as compared to the six months ended June 30, 2016, more than 60% of our portfolio purchases in the six months ended June 30, 2016 were impacted by non-recurring spot sales.

Debt Portfolio Segmentation and Strategy

Our UK Division's Debt Portfolio Segmentation and Strategy

Following the successful acquisition of a debt portfolio in the UK, we commence a series of automated processes that load the debt portfolio onto our collections platform, obtain consumer data and append such data to the debt portfolio, and perform an analysis of each individual consumer's propensity to pay, following which an initial collections strategy is set. We are able to load the portfolio onto our system and run the related processes within a reasonable timeframe by analyzing and tracing millions of accounts. This avoids the need to reach out indiscriminately to all accounts, which would increase costs. We tailor our approach and focus on the consumer accounts that we believe have the greatest propensity to pay. For further information, see ''*—Decision Science—Our UK Division's Decision Science*.''

Our DACH Division's Debt Portfolio Segmentation and Strategy

Upon receipt of a consumer's account file in our DACH Division, we ''onboard,'' or integrate, it into our DACH Division's databases. Throughout the collection process, we retrieve additional consumer data via our external data providers, leveraging best-of-breed data providers in the areas of credit information, address data and telephone numbers. Our highly automated operating platform allows us to onboard a significant amount of new accounts in our DACH Division, and we currently onboard more than one million new accounts each year. As of June 30, 2017, our DACH Division had serviced in total 16.1 million accounts and had collected information on 12.1 million consumers, including consumers from both 3PC and DPC accounts. This information allows us to more accurately determine collection strategies. For further information, see ''*—Decision Science—Our DACH Division's Decision Science*.''

Collection Process

Our UK Division's Collection Process

Our UK Division's approach to collections is focused on delivering the optimum return on capital employed by minimizing cost versus collection potential. Contacting consumers with the highest propensity to pay is key to minimizing servicing costs and optimizing returns. Between June 2004 and June 30, 2017, we have needed to collect from only 27% of our UK consumer accounts in order to achieve returns. To achieve this result, we use a sophisticated statistical analysis of extensive consumer information and empirical collections data designed to match the right strategy to the right consumer at the right time. Our approach to consumers is based on obtaining an accurate understanding of their financial circumstances and is designed to identify repayment options that achieve a beneficial outcome both for us and for the consumer, in order to foster a positive relationship and reduce the frequency of complaints. Our collections department has access to detailed and constantly updated consumer profiles to aid in the development of sustainable payment plans.

This data-driven approach is supported by a technologically advanced and highly automated collections platform and implemented via a multi-channel contact strategy that utilizes call-center contact, letters, text messages and emails. Accounts determined to have the highest propensity to pay are treated with a specific letter and out-bound dialer strategy designed for such accounts. Less collectable accounts are treated with different strategies that are tailored to the consumer's financial circumstances and our business's capacity and desire to deploy the required resources.

- **Letter strategies.** All letters are drafted in a consumer-friendly utility-bill format designed to encourage consumers to contact the call center. The collaborative tone of each letter is designed to engender engagement. The approach of each letter is tailored to each consumer and determined by debt portfolio segmentation during the book-on process.
- **Dialer strategy.** Predictive dialing is a key component of our UK Division call-center strategy, allowing numerous calls to be queued simultaneously and allocated to available representatives. Our telephony system and fully automated, predictive dialer have benefited from a significant level of investment. Key features of our telephony system and dialer include:
  - the use of a blended in-bound and out-bound dialer with the ability to prioritize valuable in-bound calls;
  - the ability to automatically select and sort consumer records based on scoring and segmentation parameters;
  - the ability to screen answer machines and unanswered calls to help ensure that representatives maximize time spent speaking to consumers;
  - the ability to capture telephone numbers and time of day at which previous calls have been successful for reference when each account is recycled through the dialer; and
  - the ability to route calls to representatives based on defined capability and priority parameters (such as debt type).

Increasingly, we are investing in web, email, SMS and mobile applications to contact consumers in the UK and allow them to communicate and pay through their preferred method of payment.

When a UK consumer engages with us by contacting a representative in our call center, the representative who is responsible for adherence to compliance requirements has a full view of established payment plans (if already set up by the consumer), and benefits from the use of daily-updated information about movements in a consumer's file. Collections performance is monitored at an account level on a daily basis using automated reports detailing monies received in the month to date, forecast collections for the remainder of the month and expected variances from targets by debt portfolio. We also have access to a wide range of management reports on a real-time basis and individual account details, using our business intelligence reporting software. This ability to access information on a flexible, efficient and immediate basis is critical to allow management to design, implement and, when required, change collection strategies on existing portfolios and pricing strategies on prospective portfolio purchases. This also allows management to optimize value and protect returns on the debt portfolios that we own. Our UK Division also saw a reduction in our consumers' default rate from 9.1% to 6.5% between September 30, 2014 and June 30, 2017 based on a three-month average. The default rate is calculated as the aggregate monetary value of payments due but not collected under payment arrangements with paying consumers divided by the aggregate amount due under these arrangements.

With the launch of Lowell Solicitors in October 2015, our UK Division's litigation services subsidiary, we have leveraged their experience and expertise to pursue and develop a litigation collection process for collection on our debt purchase portfolios in the UK. By bringing what was previously an outsourced process into our operations, we believe we will enhance our ability to monitor and direct each step of the litigation process. We believe that having a litigation capability in-house enables us to provide a more seamless experience for our consumers, implement a more efficient process that will generate commercial efficiencies for investors and improve the visibility of our control and oversight over the end-to-end collection process for our clients.

In certain situations, (*e.g.,* when specialist collection skills may be required), we outsource some of our UK accounts to third-party DCAs and to our third-party collection services subsidiary, Interlaken. Outsourced collections represented approximately 6.0% of our UK Division's collection revenue for the 12 months ended June 30, 2017. Our UK Division engages DCAs either to selectively benchmark our own performance or when the defaulted debt requires highly specialized attention and is less cost-effective for us to pursue directly. DCAs selected to work on our behalf are subject to a stringent due diligence process. To ensure that regulatory and compliance standards are maintained, we further undertakes a program of regular audits of the third-party DCAs we employ, which include telephone questionnaires and on-site audits during which we examine account activity and monitor live calls.

Our DACH Division's Collection Process

In the DACH region, the unsecured consumer credit recovery cycle typically has three stages, the characteristics of which may differ depending on factors such as collection activities already taken by the debt originator or whether there is a fixed payment date. The three stages are: (1) ongoing accounts receivables management on performing loans and/or debt outstanding; (2) early-stage recoveries for unpaid debt within 45 days (or, in the case of receivables sourced from the financial services industry, generally 90 days) after the payment due date for debt that specifies a payment date; and (3) ongoing debt collection activities for defaulted debt beyond the 45-day (or, in the case of receivables sourced from the financial services industry, generally 90-day) early-stage recovery period. Ongoing accounts receivables management is typically handled in-house, whereas debt collection services are typically outsourced to third-party providers at the early-stage recovery phase and in the ongoing collection phase. Our products and services in the DACH region cover the full debt recovery cycle and, in some instances, risk management solutions implemented prior to the origination of debt, enabling us to benefit from a longer servicing period. We believe that we also benefit from the fact that we service our purchased portfolios through one of our servicing subsidiaries. In doing so, we control the entire debt collection process, are able to implement optimal third-party collection strategies and benefit from the scale of our collections operations.

Optimizing consumer contact at each stage of the collection life cycle is the key to our collection strategy. We adapt our procedures to maximize the total amount collected over the life of the debt through sustainable payment plans or affordable settlements achieved through an amicable and solution-oriented collection approach rather than by exploiting short-term collection potential. The process consists of the following key phases: (1) the pre-legal or ''amicable'' phase; (2) the legal phase; and (3) the long-term monitoring phase. During this process, our DACH Division has the potential to earn fees on collections by passing through statutory fees to the consumer and earning contractually based success fees, generally during the long-term monitoring phase, from debt originators.

- **Pre-legal or ''amicable'' phase.** During the pre-legal phase, our goal is to agree to a voluntary payment plan or settlement with the consumer. Any repayment arrangements with consumers are structured in accordance with specific internal policy guidelines and debt originator contract requirements, if applicable, and are designed to be sustainable and affordable for the consumer. To enhance efficiency during the collection process, we leverage the centralized core debt management systems of our DACH Division and the information in our extensive databases in order to swiftly assess a consumer's ability to pay and tailor an optimal collection strategy for each individual consumer. Ultimately, the combination of collection methods that we use for a specific debt originator depends on various factors, including the claim size, the debt originator we are acting on behalf of, applicable laws and regulations, and the individual consumer.

In general, one or two days following onboarding, our DACH Division makes initial contact with the consumer by means of a ''hello'' letter. If, after a maximum of one month, the consumer has not repaid or demonstrated his or her willingness to repay the outstanding balance, we will begin to send escalation letters to the consumer, which include tailored messages and are often sent by third-party law firms engaged by us. Throughout this phase, our DACH Division's call center personnel will contact the consumer to assess his or her willingness and ability to pay for purposes of performing an income-expenditure assessment. Our five industrialized and automated call centers, with a total of 210 agents, made 117 calls per FTE in continuing operations per day in the first half of 2017. In addition to calling consumers, we have also started sending text messages to consumers with a request to call back and have realized a higher callback rate through text messages than through standard voicemail messages. Whether a voluntary payment plan or settlement is agreed with the consumer depends on the results of our income-expenditure assessment (*i.e.*, the evaluation of a consumer's willingness and ability to pay), and on any restrictions the debt originator may have placed on us.

- **Legal phase.** Typically, three weeks after sending the escalation letters, legal action can be initiated on claims that have not been repaid or settled. A claim moves into the legal phase if we determine that the consumer has the ability to pay but is otherwise unwilling to voluntarily pay, or if we have been unable to agree to a solution with the consumer in the pre-legal phase. While we aim to resolve claims by working with consumers without relying on legal enforcement, we will employ legal methods if we believes that this is the optimal strategy and if the economics of the legal proceedings are attractive to us. Examples of solutions we seek in the legal phase include garnishment of wages, sale of collateral, bankruptcy proceedings and debt restructuring. When legal action is taken, litigation costs are paid for by the consumer if the court decision is in the creditor's favor.

Prior to taking legal action, we determine whether a particular account is suitable for court action based on a variety of factors. We assess available information about the consumer from credit bureaus, including the consumer's credit score and any ''negative entries'' showing that the consumer is vulnerable or does not have the ability to pay. If there are negative entries indicating that legal action is inappropriate, we will transfer the account to the long-term monitoring phase and continue to monitor it on a regular basis for any changes to the consumer's personal and/or financial circumstances. If we determine that a consumer's account is suitable for legal action, then we will seek a judicial order to pay. Our processing capabilities are enhanced by our service center, a centralized, automated hub for managing mail, digitizing German consumer files and physically archiving court documents.

- **Long-term monitoring phase.** The long-term monitoring phase typically commences when a claim is written off due to the consumer's being insolvent and/or the claim being deemed uncollectable. If we have obtained enforcement title to the claim, this phase can last up to 30 years. During this phase, we monitor changes in the circumstances of the individual consumer in order to determine whether its ability to begin payment has been enhanced. When it appears through surveillance that a consumer's financial position has improved, we then look to both pre-legal and legal means to collect on the claim. We have a strong track record of collecting on older claims in our purchased debt portfolios.

We undertake substantially the same collection process in both our third-party collection services for external clients and in collecting on our purchased debt portfolios. However, when we perform third-party collection services on behalf of our clients, we typically operate within our own guidelines regarding settlements, as well as according to specific collections procedures. For our purchased debt portfolios, we generally have the flexibility to set guidelines regarding when to settle a claim and what procedures are utilized, subject to any contractual limitations or other arrangements with the relevant debt originator. For example, we are typically restricted from deploying contractors who physically visit consumers' homes. Actions taken during the collection process are designed to take into account any restrictions imposed by applicable laws and regulations, and to preserve our and our clients' reputation. For further information regarding our third-party collection services business, see ''*—Third-Party Collection Services and Other Receivables Management Services—Third-Party Collection Services—Our DACH Division's Third-Party Collection Services*.''

Third-Party Collection Services and Other Receivables Management Services

Third-Party Collection Services

Our UK Division's Third-Party Collection Services

In May 2013, we acquired Interlaken, a UK DCA specializing in high-volume consumer credit collection. Interlaken provides third-party collection services both to our UK Division, in respect of our UK Division's purchased debt portfolios, and to our UK clients. Interlaken has a client base complementary to ours and is active in various sectors, including the financial services, telecommunications, home retail credit, public and utilities sectors. As of June 30, 2017, Interlaken had £379.8 million of third-party debt under its management relating to various third parties, excluding debt managed for our UK Division, representing 467.4 thousand active consumer accounts. For the twelve months ended June 30, 2017, Gross Collections made on this debt was £98.7 million.

Interlaken positions our UK Division to enter new market sectors, particularly the public sector and the high-balance portfolio segment within the financial services sector. Interlaken is one of a select group of DCAs appointed by HM Revenue & Customs (''**HMRC**''), the UK's tax and customs authority, to be a member of HMRC's framework agreement to provide collection services for central government departments. As a result, we believe we are well placed to continue servicing HMRC's debt recovery needs. We have also entered into several trials with HMRC and other government departments with respect to unpaid taxes and other government-related payment obligations, which have resulted in additional placement volumes in 2017. In addition, Interlaken's expertise in servicing high-balance accounts in the financial services sector enhances our UK data assets, and we believe this will further improve its collection experience and accelerate portfolio purchases in that sector.

As a result of changing legislation that allows corporate entities to own a solicitors firm under the Alternative Business Structure (''**ABS**'') rules, the Solicitors Regulation Authority (''**SRA**'') granted us approval in June 2015, which took effect on October 1, 2015, to establish our own legal firm, Lowell Solicitors. Lowell Solicitors provides the majority of Litigation services to the group in the UK We are one of the few businesses in the UK receivables management industry to have applied for and received approval from the SRA to proceed with legal activities. The rollout of litigation capabilities is a major step towards the expansion of our fully integrated, end-to-end receivables management approach. We believe that having a litigation capability will enable us to provide a more seamless experience for our consumers, a more efficient process that will generate commercial efficiencies for our investors, while improving the visibility of our control and oversight over the end-to-end collection process for our clients.

Our DACH Division's Third-Party Collection Services

In the DACH region, we provide collection services to collect overdue debt and receivables both for our clients and for our purchased debt portfolios. As of June 30, 2017, we had serviced 9.1 million accounts, representing approximately 6.5 million consumer accounts within the third-party collection services business, with an aggregate face value on open accounts of €11.0 billion (£9.6 billion equivalent) including fees, interest and costs added to the principal amount. Our third-party collection services clients are debt originators in a range of sectors, including primarily the financial services sector, followed by insurance, telecommunications, utilities, services, retail, fitness, and public sectors. For the 12 months ended June 30, 2017, our third-party collection services business generated 37% of our DACH Division's revenue.

The collection process that our DACH Division uses in its third-party collection services business is substantially similar to the collection process that it uses in its debt purchase business. For further details regarding these collection processes, see ''—*Debt Purchase—Collection Process—Our DACH Division's Collection Process*.''

We generate servicing fees through multiple channels, all of which are supported by the German and Austrian legal framework for debt collection, which provides for statutory and regulation-based fees for third-party collection companies. The service fees we earn depend on the contractual agreements we have with our clients. The fees that are passed on to the consumer are capped at statutory amounts under applicable regulation, including the German Introductory Act to the Legal Services Act (*Einführungsgesetz zum Rechtsdienstleistungsgesetz*) and the German Law on the Remuneration of Lawyers (*Rechtsanwaltsvergütungsgesetz*). Fees of third-party collection companies are limited to the amount a lawyer could claim for similar activities and are tied to the amount in dispute. Further fees are incurred by the consumer if a lawyer is eventually engaged in the collection process. These fees are passed on to the consumer as an additional damage amount. For further information on the regulatory environment in which we operate, see ''*Industry and Market Data—Legal and Regulatory Framework*'' and ''*Regulation*.''

Our third-party collection services do not require significant ramp-up costs and are therefore less capital-intensive than debt portfolio purchases. While a purchased portfolio is recognized on the balance sheet, third-party collection services can be performed with limited balance-sheet impact, which mostly relates to certain upfront guaranteed payments on future collections that we grant some of our larger third-party collection services clients. In such cases, we guarantee that we will successfully collect a certain percentage of the outstanding principal amount of claims. These guaranteed payments are capitalized on our balance sheet.

In addition to managing third-party receivables through contractual relationships with our clients, we have a successful track record of structuring a number of outsourcing deals in which we carved-out and took over clients' in-house collection operations. These carve-out agreements may include transferring staff and growing the collection teams we take over. In exchange for these deals, we receive multi-year exclusive collection agreements and access to early-stage recovery debt. Since we conducted our first transaction of this kind in 2004, we have successfully carved out receivables management teams from clients within the telecommunications, insurance and financial services industries in four additional transactions. We have secured long-term collection agreements with terms of up to six years with the respective debt originators from which we have taken over the collection platform. Such transactions are typically done without upfront payment to the debt originator, although we may sometimes structure share deals equaling to the value of long-term service contracts.

We believe our carve-out platform is mutually beneficial. We enable our clients to collect more receivables at lower cost due to our operating scale, experience, processes and tools. Long-term servicing contracts give us earning visibility and support our future revenue and cash flow generation.

Exclusive access to early-stage debt also gives us opportunities to cross-sell other services, such as debt purchase, down the debt recovery cycle as we gain specialized familiarity with the clients' debt portfolio.

Other Receivables Management Services

Our UK Division's Other Receivables Management Services

In June 2014, our UK Division introduced a suite of value-added services (branded ''Accumulus'') that are specifically targeted at strengthening client relationships. They provide bespoke data and technology solutions that add value to the client throughout the clients' credit life-cycle. These services, which we offer free of charge to certain of our debt originator clients, are complementary to our collection services offerings and facilitate our strategy of further embedding ourselves in our clients' receivables management chain.

Our DACH Division's Other Receivables Management Services

In addition to our core third-party collection services and debt purchase businesses, we also provide a suite of further value-added services to our DACH Division's clients. Our other services primarily cover three areas: risk management solutions, e-commerce solutions and data information services. Examples of these services include OrderCheck (which performs consumer default risk assessment before order execution for online payments) and the ClientMatching service (which matches known consumers with e-commerce sector clients). The commissions we generate for running credit checks are recorded as revenue in our third-party collection services business. However, the defaulted debt acquired is recorded in the debt purchase business, which, in accordance with statutory reporting rules, is immediately recognized with an impairment from the face value of the debt. In addition, we offer logistical and administrative services to the external lawyers we engage.

Decision Science

We believe the level of sophistication and automation embedded in our technology enables us to price our debt portfolios both rapidly and accurately based on significant detail and analysis, which we believe increases the efficiency and effectiveness of our collection efforts while also supporting our customer satisfaction and compliance goals. We believe our technology also helps us to optimize our choice of contact medium and collection strategies for our consumers. Accordingly, our data and analytics have provided us with what we believe to be a significant competitive advantage over other participants in the receivables management market. We believe that our culture encourages continuous technological and operational innovation that contributes to improvements in our performance and the ease with which our consumers are able to engage with us. Technology is a key component of our business model, and we have invested heavily in our IT platform.

Our UK Division and DACH Division share best practices between them. We believe our operational efficiency and low-cost structure are key contributors to our competitive advantage in our core markets and are, in part, the result of investments in sophisticated logic sequences that are highly automated and integrated with both proprietary and other highly advanced software applications.

In addition to planned integration of successful IT and data systems on a group-wide basis, we have already engaged in a number of successful integration projects. For example, in Spring 2016 our decision science department (''**Decision Science**'') was established by our new executive board member, the Chief Science Officer. The department is focused on understanding, measuring, and predicting consumer financial behavior, especially within subprime credit, financially distressed, and low- and moderate-income populations. The team comprises business analysts, statisticians and quantitative scientists dedicated to addressing the company's most challenging analytic problems. From asset pricing based on sophisticated consumer segmentation schemes, to the development of operational and forecasting models that enhance operational performance, to experimenting with new product ideas for our institutional clients, we use mathematics, psychology, economics and raw business acumen to support the needs of our business.

Our UK Division's Decision Science

As the sophistication of our platform has grown, our UK Division has been able to increase its match rate from 34% as of December 2010 to 46% as of December 2013 and 60% as of December 2016, which we believe to be higher than the match rate of our competitors. The number of accounts has increased over recent years from 10 million as of December 2012 to 16 million as of December 2014 and 23.8 million as of June 2017, and we currently hold data on one in five UK Division consumers over the age of 18. Our UK systems also benefit from a virtuous cycle: the more data they collect, the more accurate the systems become, and the more difficult they are to replicate. These key IT and data systems include:

- **LIMA.** LIMA is our proprietary automated tracing and consumer data intelligence system. It has the ability to cleanse and append account data and consumer attributes, trace and verify consumers' addresses using several data sources processed through thousands of logic sequences, provide refreshed contact information, employment details and up-to-date financial profiles that enable us to know where our consumers reside, and assess consumers' financial circumstances while providing us with a greater ability to contact them. Management estimates that our automated tracing technology has the capacity to run up to 9.0 million traces per month.
- **Casevision.** Casevision is a document management system that scans and routes the vast majority of our incoming correspondence from the approximately 23.8 million consumer accounts. This system is provided by a third party supplier, BancTec. The system is programmed to translate forms, key phrases and words, and then allocates the account to the correct work queue. The system thus enables a more cost-effective and speedier solution to dealing with in-bound consumer correspondence than manually sorting and routing them. All original documents are held by BancTec for 90 days , then destroyed. All images are held on BancTec systems, and which also allows us to access the image trail of all correspondence at any time.
- **SAS.** SAS is a data mining, process automation and data modeling tool that allows for complex statistical analysis. This system automates complex data mapping techniques and produces sophisticated propensity-to-pay scorecards that are used across the entire business, from ranking consumers on their ability and willingness to pay to constructing ''effort sloping'' scores that can optimize net yield on an account.
- **Qlikview.** Qlikview is a business-intelligence reporting tool that provides us with both scheduled and real-time management information. The system can perform low-level ''drill down'' analysis and apply complex statistical formulas while providing a number of graphical outputs. This enables us to effectively understand key trends, and thus to manage our business more effectively.
- **IVR.** Our IVR system enables us to service high call volumes, reduce costs and, we believe, improve the consumer experience. Based on the account type, incoming calls are matched and routed in real-time to the call center agent best placed to answer the call. This system also extends service outside of normal business hours, enabling consumers to make an automated payment on their account.

We leverage the breadth of our data and collection experience to develop more accurate systems and achieve significant scale in our analytics platform. For example, we have data available for approximately 23.8 million accounts and 10.5 million consumer accounts and our data and analytic systems manage 59 business critical and supporting IT applications and process 108 million traces per year. We believe that incorporating these data and analytic processes into technology-focused solutions allows for increased collections and lower costs. For example, we believe that our sophisticated matching techniques, which harness our extensive consumer database and advanced analytic capabilities, enable us to improve our pricing accuracy, more easily find consumers associated with new accounts and devise payment arrangements that optimize consumer outcomes. Our match rate for new portfolios (*i.e.*, the proportion of accounts in a portfolio that can be associated with existing consumer data) was 60% in 2016. Our diversification enables a greater enrichment of our data base often resulting in stronger match rate and data insight when pricing contracts or portfolios. Since September 1, 2012 to June 30, 2017, we have invested £10.6 million in aggregate in our UK platform, focusing on improvements and innovations in our pricing, tracing, collections and systems.

We have a track record of implementing incremental technological and collection process improvements that have contributed to increased performance and efficiency throughout the business. In 2006, we introduced LIMA, an automated tracing and consumer intelligence system with an automatic link to our data supplier's public database. LIMA has subsequently been linked to full bureau Credit File. Between 2006 and 2016, we continued to improve our trace and technology measures through the introduction of CIS (Credit File information to front line), daily bureau data feeds, ECAPs data (data showing a consumer's previous applications for credit), single consumer identifiers, the Dual Bureau and trading floor data. As a result, the effectiveness of our platform has increased materially and the amount of right party connections per account, which we believe a measure of our tracing and contact systems' efficiency, has increased from 17% in 2008 to 22% in 2016.

Our DACH Division's Decision Science

Our DACH Division platform is composed of a combination of proprietary systems and software as well as solutions provided by external vendors. In early 2014, we initiated the creation of a dedicated analytics team that has since developed into a team of 22 experienced and highly trained experts in data science, comprising mathematicians and statisticians, with the goal of implementing predictive analytics in our DACH Division to improve collection strategies, pricing and valuation, assess data quality and improve internal processes.

As of June 30, 2017, our DACH Division has data available for approximately 7.5 million active accounts and 6.1 million active consumers. Our data and analytic systems have processed 70 thousand score requests per month and 700 thousand traces in the past six months. We seek to continuously improve the sources, quality and pricing of data that is required to locate consumers and predict their payment behavior. Our acquisition of DMA in October 2014 has allowed us to create a consistent data sourcing framework throughout the DACH region for this purpose. DMA has been integrated into our decision science team and enables all of our operating entities to source data from more than 15 data providers through a single unified interface. Data sourced through DMA covers three main types of raw data: creditworthiness, phone numbers and address data. We use the decision science team's and DMA's resources to focus on the development of analytical capabilities in our operations, such as the development of portfolio-specific scoring models to tailor collection strategies and to optimize the ratio between cash collected and processing costs. We also hold a data trading license in Germany, which provides us with the future potential to expand into the data trading field and offer information services to our clients and other external parties.

We are continuing to develop our decision science capabilities with respect to historical third-party collection information and to develop a centralized data warehouse for all of our data assets. The ultimate goal of these development initiatives is to provide an enhanced interface for managers to track the performance of our respective departments in the DACH region in real-time (*e.g.*, through the analysis of up-to-date sales data and collections performance).

Geographic Footprint and Operating Subsidiaries

We are generally focused on promoting growth in core activities and businesses while exiting non-core activities. We have focused on growing our core debt purchase business through transactions such as the acquisition of Interlaken, IS Inkasso Service, the Tesch Group and Apontas, as well as growth through purchasing of portfolios.

As of June 30, 2017, we had four trading entities in the UK, 20 operating entities in Germany, four operating entities in Austria and one operating entity in each of Switzerland and Croatia, as shown in the following table:

Operating Subsidiaries	Country of Incorporation	Area of Expertise
UK Division		
Lowell Financial Limited	UK	Consumer debt purchase & collection
Lowell Portfolio I Limited	UK	Consumer debt purchase & collection
Lowell Solicitors Limited	UK	Consumer debt collection
Fredrickson International Limited	UK	Consumer debt collection
DACH Division		
GFKL Holdco	Germany	Holding company operations
Deutsche Multiauskunftei GmbH (DMA)	Germany	Decision science, data sourcing
Lowell Service Center GmbH (GSC)	Germany	Service center for mailing, filing
Sirius Inkasso GmbH (SIR)	Germany	Insurance, utilities, telecommunications
Proceed Collection Services GmbH (PCS)	Germany	Financial Services
GFKL Collections GmbH (GCG)	Germany	Telecommunications
Inkasso Becker Wuppertal GmbH & Co. KG (IBW)	Germany	SMEs, mail order, media, fitness
intratech GmbH (ITT)	Germany	Software, fitness
GFKL PayProtect GmbH (formerly Domnowski Inkasso GmbH)	Germany	E-commerce, business-to-business
Zyklop Inkasso Deutschland GmbH (ZYK)	Germany	All industries issuing invoices
DC Holding GmbH	Germany	Holding company operations
Tesch Inkasso GmbH	Germany	Holding company
DC Forderungsmanagement GmbH	Germany	Holding company
Tesch Inkasso Forderungsmanagement GmbH	Germany	Utilities, public sector
Tesch Service GmbH	Germany	Utilities, public sector
DC Portfolien GmbH	Germany	DP investment company
Tesch Mediafinanz GmbH	Germany	E-commerce, retail
Tesch Inkasso Finance GmbH	Germany	Telecommunications
mediafinanz collection services GmbH	Germany	Holding company
IS Group Management GmbH	Austria	Holding company operations
IS Forderungsmanagement GmbH	Austria	Debt collection
IS-Inkasso Service GmbH	Austria	Debt collection
EDV-Hofer GmbH	Austria	Information technology
IS Inkasso Service GmbH	Switzerland	Debt collection
IS Inkasso Servis d.o.o.	Croatia	Debt collection
Apontas GmbH & Co. KG	Germany	Debt collection
Apontas Verwaltungs GmbH	Germany	Debt collection
Apontas Inkasso GmbH	Germany	Debt collection
Apontas Invest GmbH	Germany	Debt collection

Clients

We engage with clients across a range of industries and hold leading positions in the telecommunications and retail sectors (with respect to our UK Division's debt purchase business) and the public sector (with respect to our UK Division's third-party collection services business) in the UK and leading, top-five, or top-ten market share positions across a number of sectors in Germany, including the financial services, insurance, retail, e-commerce, telecommunications, fitness, public and utilities sectors. We believe that our diversification across numerous sectors decreases our exposure to changes in any one industry.

Our UK Division has strong client relationships across several sectors, such as the financial services, home retail credit, insurance, telecommunications, public and utilities sectors. We have purchased debt portfolios from 63 clients since 2004, and our average relationship length was six years as of June 30, 2017. During the 18 months ended June 30, 2017, we purchased debt portfolios from 25 clients with which we have active relationships, and many of these active clients are major companies with which we have established a long-term relationship.

We have a strong track record in maintaining long-standing relationships with our clients across all sectors that we operate in. For example, in the last twelve months we had 17 clients with which we have both a 3PC and a DP relationship. In the same period, we purchased debt from four well-known clients in extensions of existing 3PC relationships with a face value of more than €175 million.

Our DACH Division has a client base of several thousand clients throughout the large, well-known client and small and medium enterprise segments, with the top five clients representing approximately 51.7% of our revenue in our DACH Division third-party collection services business for the year ended December 31, 2016. We provided services to a number of large, well-known clients in 2016. For the year ended December 31, 2016, 82% of our revenue was generated from clients with whom we had already established a relationship as of 2010.

Moreover, our DACH Division maintains a broad sector coverage based on revenues for the 12 months ended June 30, 2017 (excluding lawyer services revenue), generating a revenue split amongst our clients across several industries, including financial services (39%), telecommunications (18%), retail (17%) and other (25%). As of December 31, 2016, we believe we held market-leading positions in the insurance and fitness sectors and top-five positions in the banking, e-commerce, telecommunications and utilities, as well as top-ten positions in the retail and public sectors in Germany.

At the Group level, we have improved our new client acquisitions between 2015 and 2016.

Marketing and Client Relations

We place great emphasis on the strength of our marketing and client relationships. We have developed long-term, strategic relationships with clients across many sectors, including financial services, retail, telecommunications and utilities. We believe that caring for existing clients contributes to increased trust, which in turn results in a larger number of long-term relationships and new business opportunities. In addition, we strive to invest in value-added partnerships and products that enhance our ability to serve our clients.

We believe that our transparent approach to client management enhances the strength of our client relationships. Regular performance reviews are carried out with all clients, with the frequency determined by the strategic importance of the relationship to us. Performance reviews include analysis of portfolio performance, consumer treatment, future pipeline initiatives/developments, business updates and suggestions for further interaction/enhancements to the relationship.

Our UK Division has been externally recognized for its marketing and branding within the UK debt purchase market. We place a particular emphasis on securing long-term forward flow agreements with clients, with some contracts running for five years and an average contract length of approximately three years as of June 30, 2017. Approximately 40% of our debt purchase spending since inception has been generated through forward flows, which management believes to be higher than any other debt purchaser in the UK. In the four years ended June 30, 2017, 50% of our UK Division's re-tendered forward flow agreements have been renewed at least once.

Our UK Division employs a dedicated account management strategy with clients, backed up by senior executive relationships within the company. In addition, we have client relationships across many functions, including operations, compliance and external recoveries, with central coordination via our sales and business development team. With respect to clients with which we have relationships in both our debt purchase and third-party collection services businesses, we employ a group management structure in order to provide such clients with a single ''go-to'' point of contact in addition to a full stakeholder management structure. Client reviews for such clients include account management representatives from both the debt purchase and third-party collection services businesses. In June 2014, we introduced a suite of value-added services (branded ''Accumulus'') that are specifically targeted at strengthening client relationships through providing bespoke data and technology solutions that add value to the client throughout the consumer credit life-cycle. See ''—*Third-Party Collection Services and Other Receivables Management Services—Other Receivables Management Services*.''

Our DACH Division employs a comprehensive and coordinated approach to marketing and client relations. We have developed marketing and sales strategies that are tailored to each client sector including the energy, utilities, retail, banking, payments, public and other sectors. We are also connected to the start-up sector, a connection which provides us with the opportunity to leverage strongly growing businesses and utilize multiplier partnerships. In addition to our in-house sales team of dedicated sector specialized sales managers, we have external sales representatives who support our sales efforts in specific industries. Our operational centers have a strong sector expertise needed to support the industry specific approach. In the last 18 months, our DACH Division had purchased debt from 52 well-known companies with which we had an average relationship length of 3.4 years. For the year ended December 31, 2016, 25% of our portfolio acquisitions by purchase price were derived from clients with which we have had a relationship since at least 2010.

For example, we have an international Global Credit Solution network that enables us to service our clients globally through our local partners (however, this applies to a very limited amount of our DACH Division's third-party collection efforts). Our focus on client satisfaction is reflected by our track record of receiving repeat purchases from existing clients. Our DACH Division added 26, 53 and 44 contracts with large, well-known clients in 2014, 2015 and 2016, respectively. From January 1, 2016 to December 31, 2016, we increased our new business receivables under contract (3PC) by 48%, based on the number of accounts.

Compliance and Risk Management

Compliance is central to our operations. We believe that our focus on compliance resonates with debt originators and is essential for providers of receivables management services to succeed in an increasingly regulated market. Our focus on compliance means that ''treating customers fairly'' is embedded within our day-to-day processes.

We have a clear governance structure and experienced senior management across all parts of our organization, so that all key components of the business receive appropriate attention. Our centralized operational risk management and compliance functions ensure central implementation of requirements and guidelines, as well as standardized risk policy and measures. Our compliance operations have been designed with a focus on three main objectives: to ensure compliance with applicable laws and regulations, to enforce a fair treatment of consumers and to preserve our reputation and the reputations of our clients. Our key areas of risk management include data protection, anti-money laundering and fraud prevention.

We conduct compliance audits throughout our Group as well as ad hoc audits as necessary. In addition, as part of the annual accounting close, external auditors conduct a review of the adequacy of the risk management and compliance functions. Each of our divisions' managing directors are responsible for the overall effectiveness of risk management and compliance throughout our operating entities and are under the supervision of our regional supervisory boards. In addition to regional governance structures, we have a Group Audit Committee that supports the internal audit functions in both the UK Division and DACH Division by conducting group audits based on an annual group audit plan.

Our approach to compliance includes a ''three lines of defense'' model to promote a strong compliance culture: (1) ''Operational Controls,'' (2) ''Accountable for Oversight'' and (3) ''Accountable for Assurance.'' The first line of defense, Operational Controls, focuses on operational adherence to compliance requirements and is achieved through reporting by the operations team and monitoring by team leaders and by the quality assurance team, including call-quality monitoring. The second line of defense, Accountable for Oversight, focuses on quality assurance through managerial oversight of operational activity and review of the control testing of the first line of defense. The third line of defense, Accountable for Assurance, comprises internal audit and consists of reviewing and assessing the adequacy of controls in place.

Our UK Division's Compliance and Risk Management

Our UK Division maintains a dedicated compliance team of approximately 90 FTEs as of June 30, 2017, up from 43 FTEs in 2013, which actively promotes compliance best practices across the business and seeks to achieve low rates of complaints. For example, for the 12 months ended June 30, 2017, our UK Division achieved a rate of 0.2% for internal complaints.

For the 12 months ended June 30, 2017, our FOS-filed complaint ratio was low, with 25.5 cases per 1,000,000 financial services accounts. We work with consumers to obtain debt repayment in a proactive and supportive way based on data intelligence, analytics and, in the vast majority of cases, without the need to use litigation. Since our UK Division's inception in May 2004, we have never faced any enforcement actions by any of the entities that regulate our operations, including the OFT and the FCA. We are a member of the Consumer Credit Trade Association, Civil Courts Users Association and Finance and Leasing Association. As a full member of the Credit Services Association, we comply with certain codes of practice. In addition, in April 2013, we launched our FAIR program, which outlines our policies on treating consumers fairly, consumer focused behavior, fair outcomes, assessing affordability and responding to client audits. Our internal audit function ultimately reports to our Audit Committee.

Furthermore, our investment in operations has improved compliance oversight throughout our collections process. For example, we record all calls with our speech analytics and call-monitoring systems. We have also invested in teams to monitor performance and fill roles poorly suited to automation, such as manual pre-litigation checking. We believe that our account databases also represent a source of compliance advantage, providing better data to inform decisions as to whether to seek collection, the most appropriate collection approach and the consumer's likely ability to repay. Accounts are selected for litigation as a last resort when they have reached the end of an alternative strategy and a consumer has not engaged with us or made a reasonable offer of repayment. Selection involves a combination of quality, policy and scoring processes to ensure that only consumers that we believe are in a position to pay are selected. Automation of selection ensures consistent application of rules to exclude, for example, vulnerable consumers or those with a negative disposable income where this has been captured during any contact. Credit bureau data is used to verify the consumer's whereabouts and the status of their credit profile which is taken into account when scoring for suitability. Prior to the commencement of any action, a manual sample check of selected accounts is made to ensure the integrity of the process before accounts are approved for release into the process by the Director of Business Optimisation and the Director of Litigation.

We believe that our significant investment in operations has created an industry standard in compliance practices, with regular recognition for our strong focus on fair practices with respect to our clients, consumers and regulators. In 2016, our UK Division was awarded an ''Exceptional'' rating by Investors in Customers (''**IIC**''), a UK customer-experience consultancy. This was the second time we were awarded the rating. Our initial award, the first in our industry, was awarded in 2014. This has been followed by a 'Gold Award' in 2017 (IIC have replaced their previous 'star' ratings with bronze, silver and gold awards and Lowell was the first company to receive the Gold Award). The research undertaken by IIC also assessed the strength of our UK Division's consumer relationships using the Net Promoter Score measure. While many financial service companies fail to achieve a positive Net Promoter Score, we received a favorable score of +43 in 2017 (compared to the +39 score achieved in 2016), which we believe reflects our approach of working with consumers to agree to mutually acceptable payment plans tailored to the consumers' personal circumstances. This Net Promoter Score exceeded the scores received by most well-known retail banks in the UK. Our colleague Net Promoter Score, which quantifies how likely an employee would be to recommend us, also increased from +60 in 2016 to +73 in 2017.

Our DACH Division's Compliance and Risk Management

We believe a focus on compliance and risk management is critical for our business, as our clients regard our ethical behavior and strict compliance with laws and regulations as essential in order for them to utilize our services. A strong compliance culture is an increasingly important differentiating factor in the highly competitive and fragmented German debt collection market, as smaller players typically have weaker compliance systems and debt originators are increasingly more focused on reputation, compliance track record and audit trail. All of our processes incorporate what we believe to be leading compliance standards, which enable us to preserve our reputation and the reputation of our clients. We believe that our compliance culture reflects our beliefs in: taking a fair and reasonable stance when interacting with consumers; ensuring a fair outcome for the consumer, taking into account sustainability and affordability of payments; and treating consumers with respect and dignity.

In 2014, we implemented a governance, risk and compliance (''**GRC**'') software tool to standardize and professionalize risk monitoring and reporting across all of our operating entities. Designed according to the standard IDW PS 980 from the German Institute of Certified Accountants (*Institute der Wirtschaftsprüfer*), the GRC tool enables centralized implementation of requirements and guidelines and standardized risk approaches and measures, provides a unified risk and reporting interface and enables our compliance officer to effectively identify compliance risks, the materiality of the risks and the appropriate function level at which to address the risk. The current DACH Division risk register is continuously updated by the responsible central risk managers. This enables the group to take the appropriate preventive actions regarding internal and external risks. This also enables the group to enforce good business decisions based on risk transparency. In the exercise of their duties, our managing directors are supported by the DACH Risk & Control Committee as well as the Group Risk Committee.

We believe that our compliance structure contributes to our low consumer complaints track record. In 2014, Standard & Poor's rated our DACH Division with the best possible ''Strong'' servicer rating as a special servicer of consumer finance, based on two of our major subsidiaries (PCS and SIR). In addition, our DACH Division (excluding our Tesch Group) received, on average, only 0.00273% new consumer complaints per year as a percentage of active accounts for the six months ended June 30, 2017. For further information on the regulatory environment that we operate under, see ''*Industry and Market Data—Legal and Regulatory Framework*'' and ''*Regulation*.''

Technology Infrastructure

Our business models, including debt purchase, third-party collection services and litigation services, are supported by a sophisticated technology landscape, which has received continuous and balanced investment.

Our UK Division and DACH Division share best practices and technology infrastructure between them. Our business strategy is based on sustaining a continuously improving technology infrastructure, with our IT organization focused on the goals of centralization, standardization, scalability, security and high availability. We leverage a blend of sophisticated proprietary systems and partnerships with technology industry leaders in order to achieve these goals. Our IT department is focused on:

Provision of IT services. Our IT organization has a centralized model that covers project management, development and integration and service management in each of our UK Division and DACH Divisions. The centralized model enforces common IT governance, policies, methodologies, standards and consistency across processes and tools, thus helping to ensure economies of scale, cost savings and cost avoidance across IT services. It also allows us to implement an effective segregation of duties, which increases confidence in accountability and quality controls.

In support of our internal governance and management framework, we have obtained various accreditations with respect to industry standards, such as PCI DSS compliance (credit card standards), ISO27001 (IT security), ISO9001 (quality management) and ISO14001 (environment management).

Industrialized infrastructure. We aim to provide industry-leading IT infrastructure services, which include a scalable, resilient and highly available data center (with a private cloud) and wide area data network, with full disaster recovery services and an around-the-clock service-management model.

Our strategic IT infrastructure service providers include Rackspace and Maintel. Rackspace, which provides the private cloud for our data center and disaster recovery services, is an international, industry-leading service provider that works in partnership with global infrastructure providers such as Dell, HP and EMC. Maintel, in partnership with industry-leading telecommunications companies, is our wide area data network service provider.

Our IT infrastructure services are fully implemented, with our UK Division's first phase operational since February 2014 and our DACH Division's first phase is expected to become operational in the second quarter of 2018. Our infrastructure model provides strategic flexibility: the services are ''location independent,'' providing flexibility to the business in support of future acquisition and location strategies. Our IT infrastructure hosts all of our UK Division's applications and data, resulting in cost savings and cost avoidance.

We are committed to maintaining high standards of data protection, client information and information security. All infrastructure and systems are protected by firewalls and are constantly updated to avoid cyber-attacks.

Application simplification. We have undertaken a major application rationalization program since 2015, including the introduction of a single messaging system and standard business-to-consumer ''**B2C**'') architecture. The program has been extending in the UK to continue the rationalization and move to a multi-tenant single collections platform that provides functionality for our future UK organization. The program has been further extended as part of the Group CIO strategy to include the rationalization and consolidation of our European receivables management platform to create an entirely integrated, simplified and efficient application landscape. Through such enhancement, application simplification is expected to improve productivity in our delivery of technology solutions and lower the costs associated with the development of these solutions by allowing us to more fully adopt a ''build once, use many times'' approach when adding functionality to our IT systems. For example, a single new account services function is now used by three different business applications. We believe application simplification will also reduce data replication through facilitating an increasingly centralized approach to data management services, and we believe this, in turn, will both reduce expenses associated with our data management services and help to ensure data-retention policies are effective. A number of business solutions that make use of external technology have been enabled by this strategy, including our use of BLAZE, a contact strategy decision engine from leading U.S.-based software provider FICO (Fair Isaac Corporation). We believe that the use of BLAZE has promoted our use of contact strategies that are tailored to a consumer's individual needs and circumstances and thereby helped to reduce expenses, for example by providing information that will allow us to avoid unnecessary letters and improved collections. Other solutions include new platforms for our external recoveries (AMOS), digital processes and query management system, all of which we believe will provide net benefits.

We believe we will be able to continue to extend Caseflow, our proprietary collections and consumer management application, to support other critical business functions. In July 2014, we implemented and integrated Customer Complaints, additional functionality that integrates the Caseflow platform with our consumer complaints system, and in September 2015 we implemented Query Management, a system that enhances our receivables management services.

The ultimate goal of these initiatives is to provide a centralized consumer management system that will shift away from an account-focused processing toward a single consumer view and consumer-based processing. By implementing a single consumer view, we believe we will be able to make our UK Division's core operational processes more efficient for both us and our consumers by enabling initiatives such as single consumer lettering, which was implemented in the fourth quarter of 2016, which consolidates a consumer's multiple account details onto a single letter, thereby reducing cost and improving the consumer experience. In addition, we also believe we will be able to decommission other existing systems, which we anticipate will lead to cost savings.

Through constant analysis and review we continue to identify waste and replication and remove it efficiently as part of our best practice data management approach. A measurement of this approach has been the removal of a significant number of replica and ineffective data stores.

Extended consumer self-service via an enhanced digital channel. An improved B2C channel, which was implemented in November 2015, has provided an enhanced consumer experience involving more self-service capability and an improved look and feel. This solution completely replaced the previous B2C channel, and features improved security features, consumer discounts, straight-through processing of payments and changes to consumer details, uninterrupted availability, a consumer budget planner and many other features. The channel is accessible from various mobile devices and supports different internet browsers. Further releases are expected to provide mobile-specific applications and the ability to deliver online letters and statements, as well as support marketing and letter strategies. We are also looking at a multi-channel strategy, which will bring all of our consumer communication channels under a single cohesive structure that provides consistency and accuracy across all consumer interactions.

Workforce

As of June 30, 2017, we had 2,890 FTEs, of which 1,634 and 1,256 are located in the UK and DACH Divisions, respectively. On a group-wide basis, we are committed to recruiting, training, developing and retaining employees. Our management team believes that our recruitment and training programs provide a competitive advantage to our business, as management encourages our agents to achieve results by building a relationship with the consumer, while maintaining a record of compliance with laws and regulations.

Furthermore, our DACH Division was certified as a ''Top Employer'' in Germany by the Top Employers Institute alongside certain blue-chip companies, reflecting our ability to attract talent and sector expertise. Our UK Division currently holds Investor in People Gold status, which recognizes the company's high standards of people management and development.

Litigation

From time to time we are party to various claims and legal proceedings arising in the ordinary course of our business. Other than as discussed below, within the past 12 months we have not been, and are not currently, a party to any governmental, legal, administrative, arbitration or dispute proceedings, either individually or in the aggregate, that have had, or are expected to have, a material adverse effect on our financial position or profitability, nor, so far as we are aware, are any such proceedings pending or threatened.

- **ABIT appraisal proceedings.** At the time of the approval of the merger of ABIT AG with GFKL Holdco in June 2005, an exchange ratio of six GFKL Holdco shares for 17 ABIT AG shares was determined, and GFKL Holdco subsequently offered former shareholders of ABIT AG the right to repurchase their new shares of GFKL Holdco at a price of €13.93 per share. A group of former ABIT AG shareholders sued GFKL Holdco for cash compensation pursuant to Section 15 of the German Transformation Act (*Umwandlungsgesetz*) (*bare Zuzahlung*), claiming that the exchange ratio was inaccurate, and also sought a higher cash amount to compensate for the loss of the ability to trade shares in an organized market (*Barausgleich*). Upon the unsuccessful termination of initial settlement discussions, in November 2012 the District Court (*Landgericht*) of Düsseldorf determined a higher cash amount to compensate for the loss of the ability to trade shares in an organized market but denied the claim for a cash compensation amount pursuant to Section 15 of the German Transformation Act. An immediate appeal (*sofortige Beschwerde*) was filed by several claimants as well as by GFKL AG against this decision. On October 31, 2013, the Higher Regional Court (*Oberlandesgericht*) of Düsseldorf repealed the decision of the District Court of Düsseldorf and referred the proceedings back for a new decision. A hearing was then held by the District Court (*Landgericht*) of Düsseldorf in September 2014 in which an auditor presented a new range of values for the two entities involved in the merger. On May 12, 2015, the District Court of Düsseldorf held in a procedural decision that recent changes in the interpretation of applicable law by the German Federal Supreme Court (*Bundesgerichtshof*) would not apply to the pending appraisal proceedings to determine a higher cash amount to compensate for the loss of the ability to trade shares in an organized market. Subsequently, GFKL Holdco has filed an appeal against this procedural decision. The Higher Regional Court of Düsseldorf (*Oberlandesgericht Düsseldorf*) on November 12, 2015 deemed the appeal of GFKL Holdco to be invalid. Based on the District Court (*Landgericht*) of Düsseldorf's decision, as of December 31, 2016, GFKL Holdco has made a provision in an amount of €7.6 million (£5.7 million) that we believe would be sufficient to cover additional cash payments to minority shareholders. Following this decision, the ABIT appraisal proceedings have continued.

- **Corporate income taxation litigation.** In August 2009, GFKL Holdco requested a binding tax ruling (*verbindliche Auskunft*) by the German tax authorities regarding the application of a restructuring privilege under then-existing German corporate income tax legislation. The binding tax ruling was issued in September 2009 confirming the applicability of the restructuring privilege and therefore the possibility to apply the losses carried forward by GFKL Holdco in future financial years irrespective of any change in the majority shareholding. The European Commission subsequently declared the restructuring privilege to be unlawful state aid and, in April 2011, the German tax authorities withdrew the previous binding tax ruling. The formal objection of GFKL Holdco in April 2011 was rejected and the tax assessments for the financial years 2009 and 2010 denied the tax loss carry-forward; however, suspension of payment was granted in the amount of the applicable tax loss carry-forward. In December 2011, GFKL Holdco, along with 14 similarly affected companies, filed suit against the European Commission before the European Court of First Instance. The European Court of First Instance decided on February 4, 2016 that GFKL Holdco's suit was unfounded. GFKL Holdco filed an appeal against this decision on April 14, 2016 at the European High Court and is currently awaiting a date for a hearing to be scheduled. GFKL Holdco has made a provision for the full amount of suspended tax payments and corresponding interest due (i.e., €15.3 million) (including interest) was allocated to the provisions as of June 30, 2017) if the tax losses cannot be carried forward.

- **Squeeze-out Appraisal Proceedings.** On November 6, 2015, GFKL Holdco's shareholders, upon the request of Lowell Holding, resolved to acquire all of the ordinary shares of GFKL Holdco held by its minority shareholders in exchange for cash compensation in the amount of €23.71 per share (the ''**Squeeze-Out**''). Through its entry into the commercial register, the Squeeze-Out became effective on December 15, 2015. Several former minority shareholders of GFKL Holdco initiated appraisal proceedings (*Spruchverfahren*) against Lowell Holding seeking a higher cash compensation (*Barabfindung*) pursuant to Section 327f of the German Stock Corporation Act (*Aktiengesetz*) on the grounds that the cash compensation as determined by Lowell Holding as then majority shareholder was inadequate. Lowell Holding will be required to file a brief with the competent court by mid-September 2016. In a first hearing, the competent court has raised a number of questions on the parameters relevant for determining the adequate cash compensation. Depending on additional information and arguments to be presented by experts and the competent court's ultimate view, a higher cash compensation may be determined by the court.

- **Zyklop Litigation.** An external lawyer has recently sued Zyklop Inkasso Deutschland GmbH and claims an amount of €700,000 alleging that an outsourcing agreement with Zyklop Inkasso Deutschland GmbH for services to be rendered, such as letters, court briefs, dunning letters, etc. was void. The District Court (*Landgericht*) Krefeld has scheduled a first court hearing for October 2017.

Insurance

Our insurance policies include insurance to cover risks associated with our businesses, including general liability, crime insurance, professional liability and directors' and officers' liability insurance. We believe that the types and amounts of insurance coverage that we maintain are consistent with customary industry standards in the markets in which we operate. However, no assurances can be given that we will continue to maintain current levels of insurance coverage. A successful claim of sufficient magnitude that is not covered, or only partially covered by insurance, could have a material adverse effect on us and our financial condition. Furthermore, our insurance policies do not cover any violation of representations and warranties in debt purchase contracts. In addition, we did not take out insurance for our representations and warranties in the purchase agreements related to the disposal of certain former group companies.

Real Property

Our UK Division's Real Property

Our UK Division currently leases its headquarters and call centers, located at Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds LS10 1AB, United Kingdom, Darwin House, 7 Savannah Way, Leeds Valley Park, Leeds LS10 1AB, United Kingdom, and Tolworth Tower, Ewell Road, Surbiton, Surrey, KT6 7EL, United Kingdom, which are used for our day-to-day operation. Our UK Division's property portfolio is managed internally by its facilities team, supported by external specialists where appropriate. This team is responsible for ensuring that each site is in compliance with statutory requirements, including health and safety requirements.

Our DACH Division's Real Property

Our DACH Division operates its businesses at premises that are leased from third parties pursuant to 22 lease agreements, mainly for fixed terms, relating to its 16 operating locations and IT storage facility. Our DACH Division does not own any real estate. We believe that we have entered into the lease agreements on customary terms. Although some of the lease agreements may not be renewed at the end of their respective terms, our DACH Division's operations would not be disrupted if it decided not to renew the leases or if the leases were cancelled.

Intellectual Property

Our UK Division owns 42 trademarks (37 UK trademarks and five EU trademarks). The majority of the trademarks used by our UK Division are owned by Lowell Group Limited, Lowell Holdings Limited and Lowell Financial Limited. Additionally, we hold 90 active domain names. Our DACH Division holds 14 trademarks (nine German trademarks and five EU trademarks) and 188 active domain names. We are not aware of any legal disputes regarding intellectual property, whether pending or threatened in writing, to which we are or may become a party. Additionally, we have not been provided with information about any actual or potential infringement of intellectual property rights owned or used by any third party for which we may be held responsible. There are various licenses within our UK Division allowing intellectual property rights to be used within the group in the ordinary course of business. Our DACH Division does not currently license out its intellectual property, except for the licensing of standard and proprietary software products by its operating entity, ITT, to its clients in the ordinary course of business.

REGULATION

Key Regulations Affecting Our UK Division

The UK receivables management industry is highly regulated. The regulatory environment for debt collection and debt purchase in the UK requires considerable investment in processes, knowhow and management. Our management believes that the regulatory environment fundamentally creates strong barriers to entry. Debt originators are increasingly careful in their selection of their debt collector partners, and those who can demonstrate robust compliance processes are favored. The key entities and laws that govern our business are set out below.

The Financial Conduct Authority

The FCA is the current regulator of consumer credit in the UK. The FCA took over regulation of the consumer credit industry, including the debt sector, from the OFT on April 1, 2014. Consumer credit agencies and those conducting business in the debt sector are now subject to a statutory regime under the statutory umbrella of the Financial Services and Markets Act (''FSMA''). Pursuant to the FSMA, in order to carry on consumer credit activities, a firm needs to be authorized by FCA (instead of being licensed by the OFT as was formerly the case) or otherwise be exempt. FSMA and its related secondary legislation is supported by the detailed FCA Handbook of Rules and Guidance (the ''FCA Rules'') and the associated FCA supervision and enforcement powers. As a result, the regulation of consumer credit activity is aligned in large part with the current regulatory regime for banks, insurance and investment firms. At the same time, however, many of the specific statutory requirements governing consumer credit activity under the Consumer Credit Act 1974 (''CCA'') continue to co-exist alongside the FSMA regime, with the FCA assuming the OFT's former responsibility regarding enforcement of this legislation.

As a result of the transfer of the old Financial Services Authority's functions now being split between the FCA for conduct matters and the Prudential Regulation Authority, for prudential matters (with the latter's responsibilities confined mainly to banking and insurance), the FCA has been granted enhanced enforcement powers and is taking a more proactive and interventionist approach to regulation and enforcement than its predecessor. The FCA's enforcement powers and approach is significantly enhanced from that of the old OFT. The FCA has broad investigative and disciplinary powers, including the power to impose fines and vary or cancel regulatory permissions. Failure to comply with the FCA rules could lead to liability for damages to third parties, disciplinary action, public censures, fines, the imposition of other penalties, customers being compensated for losses, or the revocation or variation of authorizations to conduct business, in whole or in part both on regulated firms and their employees.

For firms which it regulates, the FCA's strategic objective is to ensure that the markets which it regulates function well. The FCA also has three key operational objectives:

- to secure an appropriate degree of protection for consumers;
- to protect and enhance the integrity of the UK financial system; and
- to promote effective competition in the interests of customers for regulated financial services or services carried out by regulated investment exchanges.

Under the FCA regime, historical requirements applicable to us will continue to apply under the CCA, along with requirements deriving from the FSMA and the FCA Rules. In the latter case, many of the FCA requirements are similar to those that apply already to banks and other regulated financial services firms. In addition, the FCA has created a sector-specific Consumer Credit Sourcebook (''CONC''), which applies specifically to consumer credit firms such as ourselves. Among other things, CONC incorporates some of the previous CCA provisions and historic OFT guidance, in many cases as rules. The FCA's stated general approach to retaining OFT guidance has been to carry it across to CONC in substantially the same form and with substantially the same effect as previously.

To date, the key areas of the FCA's focus on consumer credit industry have been the following:

- High cost short term credit.
- The rent to own sector.
- Credit broking.
- Debt management.

- Credit cards.

However, as the FCA has begun implementing the changes it sees necessary in these areas, it has begun turning its attention to the broader lending market as a whole.

FCA Authorization and New Rules Applicable

From April 1, 2014, businesses that perform debt collection (including servicing companies which collect debt on behalf of third parties) are required to either be FCA authorized or exempt.

Within our UK Division, there are three operating companies which have permission under Part 4A of FSMA. to carry on regulated activities as follows:

(a) Lowell Portfolio I Limited (firm reference number 730071) is solely a purchaser of consumer debt and undertakes no debt collection activities—it has FCA authorization for:

  a) exercising or having the right to exercise the lender's rights and duties in relation to high-cost short-term credit;

  b) exercising or having the right to exercise the lender's rights and duties under a regulated home credit loan agreement; and

  c) exercising/having the right to exercise the lender's rights and duties under a regulated credit agreement (excluding high-cost short-term credit, bill of sale agreements, and home collected credit agreement);

(b) Lowell Financial Limited (firm reference number 730175) undertakes debt collection work solely for Lowell Portfolio I Limited in respect of its purchased debts—it has FCA authorization to carry on debt administration and debt-collecting; and

(c) Fredrickson International Limited (firm reference number 730425) undertakes debt collection work as the authorized agent for various third parties—it has FCA authorization to carry on debt administration and debt-collecting.

As part of its supervisory role in the consumer credit industry, the FCA classifies consumer credit firms into lower and higher risk categories, depending on the types of activities provided. Further firm-specific sub-classification by the FCA will determine the level of supervisory scrutiny to which individual consumer credit firms are subject. Firms undertaking debt collection and administration activities are categorized as ''high risk'' and as such it is expected that companies in our UK Division will be subject to a more onerous authorization process and ongoing supervisory regime.

In high level terms, the key areas of FCA regulation that apply to us under the FCA regime include:

- high level ''Threshold Conditions'' for authorization (including adequate resources and ''suitability'' of firms and their affiliates from a fitness and propriety perspective);
- high level ''Principles for Businesses'' (breach of which is enforceable by FCA fines and other enforcement actions). Of particular relevant is the obligation on a firm to ''pay due regard to the interests of its customers and treat them fairly.'' This Principle is supported by detailed FCA guidance on ''Treating Customers Fairly'' (''**TCF**''), which sets out the FCA's expectations in relation to a regulated business' treatment of its customers;
- systems and controls, including governance, record keeping, conflicts of interest management and internal audit (some of which will apply as guidance rather than mandatory rules);
- the approval of approved persons (that is, directors and other senior management/key staff requiring individual FCA approval and being subject at an individual level to FCA Principles and enforcement powers);
- controllers (major shareholders and others) to be FCA approved;
- auditors;
- consumer credit conduct of business and marketing, including debt collection;
- regulatory reporting;
- complaints handling;

- financial crime/AML; and
- FCA enforcement powers.

The FCA has the power to take enforcement action against a firm and/or its individual management for breach of one or more of the Principles for Business, which may result in the imposition of substantial fines, public censure, compensation and/or redress payable to customers. Breach of certain requirements under the FSMA also carries potential criminal liability. Customers can also bring private claims for damages in certain circumstances.

Further, where a regulated credit agreement is entered into without the lender having FCA permission, the agreement is likely to be unenforceable. Additionally, if an unauthorized credit broker referred the borrower to an authorized lender, any resulting regulated credit agreement between the lender and the borrower may be unenforceable. It is therefore prudent for lenders who originate business through brokers to ensure that they are appropriately authorized.

Further ongoing statutory obligations

The OFT issued specific guidance called the Debt Collection Guidance (''**DCG**''), which set out detailed standards that businesses that collect debt or carry out tracing activities must meet. The DCG has been superseded by CONC which applies specifically to consumer credit firms such as ourselves. CONC in effect is the relevant provisions of the Consumer Credit Act, the DCG and other OFT Guidance redrafted into formal FCA rules and guidance. CONC sets out a number of overarching principles that businesses should adopt in any debt recovery activities:

(1) treating customers fairly;

(2) being transparent when dealing with customers;

(3) exercising forbearance and due consideration—in particular towards customers experiencing difficulty;

(4) acting proportionately when seeking to recover debts;

(5) establishing and implementing clear, effective and appropriate policies and procedures for engaging with customers and other relevant parties; and

(6) establishing and implementing clear, appropriate and effective policies and procedures for identifying and dealing with particularly vulnerable customers.

CONC also provides examples of the types of behavior that the FCA would regard as amounting to unfair or improper practices and unacceptable behavior. Examples include:

- issuing communications to customers that are unfair, inaccurate, unclear or misleading (whether directly or through the way they appear or information which they may omit to mention);
- falsely representing their authority or legal position (for example, falsely claiming to work on instructions from the courts as bailiffs);
- using physical or psychological harassment to collect debts (including contacting customers at inappropriate times of the day or too often, failing to allow for alternative, affordable repayment amounts when a reasonable proposal is made, or inappropriately threatening to disclose debt details to third parties);
- using deceptive or unfair methods (for example, sending demands to a person without establishing that he or she is the actual customer);
- inappropriately or unfairly charging for debt recovery (for example, misleading customers into believing they are liable for recovery charges, where the underlying credit agreement does not so provide);
- acting in a threatening or unclear way on debt collection visits (for example, visiting the customer at times when it is understood that such debtor might be particularly vulnerable or entering a customer's property without consent or appropriate court order);
- continuing to collect statute barred debt in an unfair way (for example, implying that such debt may be recoverable through the courts); and

- failing to have adequate procedures and processes to ensure that customer data is accurate.

The FCA also expects regulated firms to take responsibility for third parties they use (for example, third party debt collectors).

Generally the use of DCAs probably represents one of the more significant conduct risks faced by us, particularly in the way this part of our business model tests our controls in relation to DCAs.

Consumer credit legislative and regulatory requirements

As noted above, many of the provisions of the pre-existing statutory regime under the CCA and related secondary legislation, continue to apply to our business and our relationships with customers, notwithstanding the transition to the FCA and the various requirements introduced as a result. Although this summary does not purport to provide a full description of all such current or future requirements, a key ongoing area of responsibility for any properly regulated debt collection business arises under the CCA (and legislation made under it), FCA rules and guidance, the UTCCRs (for any contract made before October 1, 2015) and the CRA (for any contract made on or after 1 October 2015). This is also an area of the law in which further regulatory changes are anticipated in the medium term. Both the CCA and the UTCCRs/CRA set out specific requirements for the entry into and ongoing management of consumer credit arrangements. The legislation includes both prescriptive and generic provisions on the terms of consumer credit agreements, the advertising of consumer credit services, and what constitutes, and the consequences of, any unfair relationships and unfair terms. This legislation applies both to our own activities and to those of any initial credit provider, including our vendors. The principal aim of the legislation is consumer protection. These legal requirements oblige creditors to, among other things:

- provide customers with prescribed forms of pre-contractual documentation;
- provide customers with prescribed credit agreement documentation at the outset;
- enable customers to obtain copies of credit agreement documentation;
- provide customers with prescribed forms of post-contractual statements and notices at prescribed times;
- provide a fair relationship between themselves and the customers (an ''unfair relationship'' can be the result of an act or omission at any time); and
- ensure that their agreements do not contain unfair terms (and provides that any unfair terms are not binding on the customer).

In addition to the above, the creditor has a duty at the request of the debtor under regulated credit agreements to provide a copy of the executed agreement (if any) and of any other document referred to in it, and to provide specified information in a signed statement (sections 77, 78 and 79, CCA). If the creditor does not provide the documents and information within 12 working days of receiving a request with the fee of £1, then they are not entitled to enforce the agreement while the default continues. The creditor need not respond to a request for the information described above where no sums are payable by the debtor or where the request is made less than one month after a previous request (relating to the same agreement) was complied with.

Under the CCA, a customer may request a court to determine whether there has been an ''unfair relationship'' between the customer and the lender (which can include assignees). There are extensive and onerous requirements that apply when such a determination is made, and the burden of proof is on a lender to prove that an unfair relationship does not exist.

The content of, and format for, regulated agreements, as well as provisions around pre and post contractual information, is heavily prescribed by a number of rules and regulation including, for example, the following:

- Consumer Credit (Agreements) Regulations 1983 (SI 1983/1553);
- Consumer Credit (Agreements) Regulations 2010 (SI 2010/1014);
- Consumer Credit (Disclosure of Information) Regulations 2010 (SI 2010/1013);
- CONC; and
- Certain provisions of the CCA, as amended.

A regulated credit agreement must be properly executed in accordance with section 61 of the CCA. This includes ensuring that the agreement:

- is in the prescribed form containing all the prescribed terms and conforming to regulations under section 60(1) of the CCA;
- is signed in the prescribed manner both by the debtor and by, or on behalf of, the creditor;
- embodies all the terms of the agreement (other than implied terms);
- is provided to the debtor in a legible format; and
- where the regulated credit agreement is to be secured on land, additional formality requirements apply.

Section 65 of the CCA provides that improperly executed agreements (in real terms, agreements which do not fully comply with all of the regulatory requirements including the signature of the borrower) are not capable of being enforced against the borrower without an order of the court directing that such an agreement be enforceable. This will also apply to enforcement by assignees.

Since April 6, 2007, the court has had discretion in all cases to enforce regulated agreements, whether or not they comply in all respects with the requirements of the CCA, provided that the appropriate arrears notice(s) have been given (where appropriate). In the case of any agreement entered into on or after April 6, 2007, and agreements from before that date which are not irredeemably unenforceable, the court will be obliged to make an enforcement order even where an agreement is regarded as improperly executed, unless it considers it just to dismiss the application having regard to both prejudice caused to any person as a result of the breach and the degree of culpability for it.

The court has other powers to address the defect by other means under the CCA, such as reducing or discharging a sum payable to compensate for the prejudice suffered.

While the discretion given to the courts does not rule out regulated agreements being treated as unenforceable because of technical breaches, on balance it is likely that the more technical the alleged breach is, the more likely a court will be to consider it just to grant the enforcement order.

Unfair Contract Terms

The UTCCRs apply to agreements which have not been individually negotiated, which are entered into with a consumer on or after July 1, 1995 and before October 1, 2015, and may affect our ability to seek enforcement of certain terms of our customers' original contracts, such as rights of the lender to vary the interest rate and certain terms imposing early repayment charges and terms which give the lender a unilateral right to vary the contract or interpret any term of the contract. In light of the broad and general wording of the UTCCRs which makes any assessment of the fairness of terms largely subjective, it is difficult to predict whether or not a court would find a term to be unfair. It is therefore possible that any credit agreement that has been made or may be made to customers covered by the UTCCRs may contain terms that are, if challenged, found to be unfair, which may result in the terms not being binding on the customer.

The CRA received Royal Assent on March 26, 2015 and its main provisions came into force on October 1, 2015. The adoption of the CRA consolidates reform of consumer law in the United Kingdom including the revocation of the UTCCRs for new consumer contracts made on or after October 1, 2015. The previous law under the UTCCRs will continue to apply to older contracts. The CRA has a wider scope than the UTCCRs because it applies to both negotiated and non-negotiated contracts. The key substantive provisions of the UTCCRs have, however, been retained in the CRA, which merges the provisions of the UTCCRs with the provisions of the (wider scope) Unfair Contract Terms Act 1977 to consolidate and clarify the two regimes. The legislation includes provisions to regulate the unfairness of terms that cause a significant imbalance between the parties, alongside the concepts of a ''blacklist'' of unenforceable terms and non-exhaustive ''grey'' list of potentially unfair terms. The CRA also extends the scope of the regulatory regime on unfair terms in part to ''consumer notices'' provided by the service provider. Consumer notices include an announcement or other communication which it is reasonable to assume is intended to be read by a consumer. The CRA gives consumer law enforcers additional civil powers to seek to remedy breaches of consumer protection law. For example, new redress measures will offer compensation to consumers who have suffered a loss as a result of the conduct in question, and new compliance measures intend to prevent or reduce the risk of repeat conduct. In addition new choice measures in the CRA enable consumers to choose more effectively between different suppliers.

The FOS acts as an independent adjudicator of the consumer credit complaints made to it. Chargeable claims attract a fee that is paid by the business, and a decision by the FOS is binding on the business, but not on the consumer. Not all cases are determined to be ''chargeable'' however, the fee in respect of a chargeable case is payable by the business, whether or not the business successfully defends such case. There are escalation procedures for a consumer to make a complaint to the FOS. The FOS makes a decision on the basis of what is fair and reasonable and good practice rather than, necessarily, on the basis of compliance with the law.

Data protection

As a debt purchase business, we must comply with the requirements established by the Data Protection Act 1998 (the ''**DPA**'') in relation to processing the personal data of our customers. The Information Commissioner's Office (''**ICO**'') is an independent governmental authority responsible for maintaining, upholding and promoting the best business practices and legislative requirements for processing personal data and safeguarding the information rights of individuals and their rights to access their personal data. The ICO is empowered to impose requirements or enforcement notices, issue monetary fines and prosecute criminal offenses under the DPA. Any organisation that acts as a data controller in relation to personal data is required to maintain a registration with the ICO. An organisation is considered to be acting as a data controller in relation to personal data when it controls the personal data and is responsible for the purposes for and manner in which personal data are processed. We act as a data controller for significant amounts of personal data and we maintain a registration with the ICO. Furthermore, we have in place a data protection policy and have established data protection processes to comply with the requirements of the DPA and the applicable guidance issued from time to time by the ICO. For example we have processes to ensure we correctly handle Data Subject Access requests from individuals.

On May 24, 2016, the General Data Protection Regulation (''**GDPR**'') entered into force and will apply in all EU Member states from and including May 25, 2018. The GDPR provides for a number of changes to the EU data protection regime and will partially replace the current national data protection laws. Once it applies, the GDPR will strengthen individuals' rights and impose stricter requirements on companies processing personal data. Some of the main requirements set out in the GDPR includes fines up to EUR 20 million, or 4% of the global turnover of an undertaking, whichever is greater, for breaches of the GDPR, stricter requirements and internal processes for the transparency of processed data of individuals, enhanced requirements on security measures and controls, increased rights of individuals to demand the deletion of processed data and obligations to demonstrate compliance with the GDPR, including submitting data breach notifications to the relevant supervisory authority (within a strict deadline) and data subjects.

As the GDPR does not yet apply, it is not currently possible to assess its full impact on our business. However we are aware that we will need to update our data protection policies and processes to ensure they comply with the GDPR. We understand that the GDPR may result in substantial further limitations and a higher compliance burden on us compared to the current law. In particular, the GDPR could impair debt collectors' ability to use debtor data, for example, by restricting their ability to create debtor profiles and the GDPR will materially increase the maximum level of fines for compliance failures from its current level.

On August 7, 2017, the UK Government announced its plans for a new data protection bill which will replace the current UK data protection law. The intention is for this bill to be aligned with the GDPR.

Lending Code standards

We also operate in accordance with the provisions of the Standards of Lending Practice—previously the Lending Code (a voluntary, but widely adhered to, standard of practice largely applicable to banks and building societies in the UK) that are relevant to lending and debt collection activities. While we are not a subscriber to the Standards of Lending Practice, a number of our clients are banks, and as such they have to ensure that third parties they use offer standards that meet the requirements of the Standards of Lending Practice.

Other regulatory bodies

We are also regulated by a number of other government bodies, including the Office of Communications Services (''**OFCOM**''), the independent regulator and competition authority for the UK communications industries. All telephone calls made to and received from customers are recorded, and OFCOM monitors, for example, the number of abandoned calls made by businesses to ensure that any business does not have 3% or more in any one campaign. We use automated dialing equipment and other communications tools in our business, and our telephony activities are compliant with OFCOM's regulations.

Since October 1, 2015 we are also regulated by the SRA by virtue of a legal services license which we use within the Group to carry our debt recovery litigation.

Our compliance and quality control

Debt vendors regard strict compliance with laws and regulations as essential for debt buyers to succeed in an increasingly regulated market, and in accordance with market practice, debt sale agreements usually contain warranties given by the debt purchaser that it shall comply with such laws and regulations. Failure to comply with laws and regulations or revocation of a permission, licenses, authorizations or other actions by us that may damage the reputation of a vendor, may entitle a vendor to terminate the debt purchase agreement or entitle it to repurchase portfolios we previously acquired from it. Our management team considers quality control and compliance to be of the utmost importance, and we believe our compliance and quality control record is a competitive advantage. We are proactively involved in the Credit Services Association (''**CSA**''). Our Non-Executive Director, UK Division served as the President of the CSA for two and a half years both before and after joining the Lowell Group, during which time she led the working party which re drafted the CSA Code of Practice. She is now the CSA Director with responsibility for the compliance portfolio.

The laws and regulations under which we operate have at their core the fair treatment of all consumers, which we have sought to embed within our day to day processes. We seek to provide realistic repayment options for all consumers and in particular those in financial difficulty. By offering consumers flexible and sustainable payment plans tailor made to their individual needs, we help consumers pay down their debt and improve their credit histories on a consensual basis. As a general policy, we have historically not added any charges or fees to the debt we collect. We have dedicated policies and processes to deal with consumers, which are periodically reviewed and enhanced where necessary, and we liaise with external bodies such as the CSA to promote best practice. Also, in her role with the CSA, our Non-Executive Director, UK Division has regular meetings with the FCA to discuss industry topics.

We have a clear governance structure and experienced senior management talent across all parts of our organization so that all key components of the business receive appropriate focus. The executive team has established a compliance framework, operational procedures and governance structures, supported by a number of proprietary systems, to enable us to conduct business in accordance with applicable rules, regulations and guidance. Our Chief Risk Officer has ultimate responsibility for regulatory compliance, with each member of the executive team responsible for compliance within their particular organizational function. The executive team is supported by a 90 strong compliance, governance, quality control and audit team with extensive experience in the financial services industry, managed by individuals who have mainly worked in compliance roles within FCA regulated companies or legal firms. The compliance team's responsibilities include setting compliance policy, maintaining proactive regulator relationships, managing and responding to complaints, oversight and quality assurance, responding to client audits, setting up training programs, management reporting, risk management framework and internal audit.

Further, we have invested heavily in training our employees to be fully aware of our regulatory requirements and our policies. We have an internal policy regarding the handling of consumers who are considered vulnerable and disadvantaged (e.g., consumers who are 70 years of age or older, seriously or mentally ill, or serving in the armed forces), which we believe goes beyond requirements of the regulatory bodies in the United Kingdom and is based on what we believe is the right and proper way of treating such consumers. Depending on individual case assessment, the debt may be written off or reduced, payment terms may be reset, or a payment holiday may be granted. We have a comprehensive operational quality assurance function in place that includes regular quality monitoring checks, data checks, performance reviews and other operational reviews to ensure that collectors are operating within our guidelines.

Industry engagement

We are actively engaged in setting compliance policies within the industry. We have established relationships with governmental bodies, including the FCA (many of the individuals previously employed by the OFT have transferred to the FCA) the ICO and the FOS, as well as trade organizations relevant to our industry, such as the CSA, the Finance and Leasing Association (''**FLA**''), the County Court Association (''**CCUA**'') and the Consumer Credit Trade Association (''**CCTA**''), so that we may make use of best practices.

We have promoted a collaborative approach to regulation within the debt purchase industry. Industry groups such as the CSA which as the United Kingdom's only national association for companies providing debt collection services, acts as a trade body promoting professional industry standards, publish codes of conduct and receive complaints regarding improper behavior. While we are in direct contact with regulators because of our scale and market leadership position, we also take an active part in the trade associations that represent the industry's interests.

Through our participation in these organizations, we actively promote best practices by contributing resources when needed to debate or campaign for wider industry initiatives and by leading by example within the membership base. We are a full member of the CSA, and therefore must abide by its code of practice.

We have established a 'primary authority' relationship with our local trading standards office. Under this primary authority, we meet with representatives of the office typically on a monthly basis to discuss any trends in queries or complaints and seek guidance for any new projects and processes that affect consumers. Further, if any queries or complaints are made to any other trading standards office, they will be referred to our local office, facilitating a productive and accurate response. The primary authority arrangement increases transparency and enables our local trading standards office to have a better understanding of our business and practices.

Compliance track record

We have a record of low complaints with regulators. No regulatory body has ever imposed sanctions on us for the unfair treatment of our consumers.

Through our carefully designed collection processes and communications strategies, including letters and telephone calls, we seek to ensure that the number of complaints is as low as possible. Our success in this area is evidenced by the fact that the number of complaints as a percentage of live accounts owned was approximately 0.2% in the 12 month period July 2016 - June 2017.

Where a financial services consumers is dissatisfied with our response to a complaint, they are informed that they can refer the matter to FOS. After investigation, FOS will decide whether or not to treat the matter as a formal case. In the same period (July 2016 - June 2017), there were a total of 176 FOS cases in respect of our UK Division consumers. In the same period, FOS made decisions on 184 cases, 12% of which were decided in favor of our consumers. This compares favorably with our direct peer group where the average upheld rate is approximately 40%.

The FCA can take into account the number of complaints received about a business to decide if that firm is complying with the relevant regulatory framework and remains fit to continue to be authorized by the FCA. They can take regulatory action against a regulated firm and insist that a business change its practices. If any complaint is found in favor of a consumer by the FOS, we are required to pay the consumer whatever sum the FOS determines is appropriate, but no fine or other penalty can be imposed by the FOS, although cases that reveal systemic problems with a business could be investigated by the FCA.

Anti-Money Laundering and Terrorist Financing

Certain companies in our UK Division must comply with applicable rules and regulations concerning anti-money laundering and terrorist financing. We have implemented a procedure in relation to anti-money laundering and terrorist financing throughout the UK Division.

Key Regulations Affecting our DACH Division

Debt collection services are to a limited extent subject to regulatory supervision in Germany. The legal framework governing debt collection services in Germany comprises, among others, the German

Banking Act (*Kreditwesengesetz—KWG*), the German Legal Services Act (*Rechtsdienstleistungsgesetz*), the German Introductory Act to the Legal Services Act (*Einführungsgesetz zum Rechtsdienstleistungsgesetz*) and the German Legal Services Regulation (*Rechtsdienstleistungsverordnung*) (together, the "**German Legal Services Regime**"). Our operations, including debt collection, debt purchase, the lawyer outsourcing process and our operations related to payment streams, are subject to these regulations. See "*Risk Factors*" and "*Industry and Market Data—Legal and Regulatory Framework*."

Regulation pursuant to the German Banking Act

Pursuant to the German Banking Act, factoring, *i.e.*, the ongoing purchase of receivables in a commercial manner or on a scale that requires professionally organized business operations and on the basis of framework agreements, qualifies as the provision of financial services which requires a license by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"). BaFin has, however, taken the view that the ongoing purchase of receivables only qualifies as financial services if such purchase serves financing purposes, which according to BaFin is not the case if the purchased receivables are already due and payable. In line with the interpretation by BaFin of the relevant provision of the German Banking Act, the purchase of receivables which are due and payable does not qualify as the provision of financial services under the German Banking Act and does not constitute factoring. As a result, BaFin has confirmed in writing that the debt collection business of the relevant subsidiaries of GFKL Holdco does not qualify as factoring within the meaning of the German Banking Act and consequently no license under the German Banking Act is required.

Regulation pursuant to the German Payment Services Supervisory Act

Pursuant to the German Payment Services Supervisory Act (*Zahlungsdiensteaufsichtsgesetz*), the provision and receipt of payments in the context of debt collection services may, under certain circumstances, amount to the provision of payment services, including in particular to the provision of financial transfer business (*Finanztranfergeschäft*), which would require a license pursuant to the German Payment Services Supervision Act. However, in line with BaFin's current administrative practice, debt collection does not amount to financial transfer business where the provision of debt collection services is limited to defaulted debt that has been outstanding for a certain period of time.

Regulation under the German Legal Services Regime

In Germany, debt collection for third parties qualifies as the provision of legal services which in general requires a registration under the German Legal Services Regime. Any debt collection agency applying for registration under the German Legal Services Regime needs to demonstrate, in particular, personal aptitude and reliability, theoretical and practical expertise in the area of the legal services to be provided and professional liability insurance coverage and is subject to supervision by the competent courts.

Legal entities are required to appoint at least one qualified employee, director or officer who commands the required aptitude, reliability and expertise. Such qualified person must be permanently employed at the respective debt collection company, must be authorized to issue instructions, but must not be subject to any instructions, with regard to all legal services provided by the respective agency and must be authorized to represent the debt collection company *vis-à-vis* third parties. The following subsidiaries of GFKL Holdco are registered for the provision of debt collection services under the German Legal Services Regime: SIR, GPP, PCS, IBW, ZYK, GCG, ITT, Tesch Inkasso Forderungsmanagement GmbH, Tesch Inkasso Finance GmbH, Tesch mediafinanz GmbH, Apontas GmbH & Co. KG and Apontas Inkasso GmbH.

In addition to these registration requirements, the German Legal Services Regime regulates the manner of the provision of debt collection services, in particular, with regard to information requirements and, indirectly, the remuneration of debt collection agencies, which is generally recognized to be part of a creditor's default damage (*Verzugsschaden*). As part of the creditor's default damage, servicer fees of a debt collection company can be charged to the debtor up to the amount of fees a lawyer could charge pursuant to the German Lawyer Remuneration Act (*Rechtsanwaltsvergütungsgesetz*). Similarly, costs in connection with the subsequent retention of external lawyers are frequently passed on to the debtor. Since November 2014, debt collection agencies have been subjected to increased notification and information obligations with respect to their dealings with debtors under the German Legal Services Act (*Rechtsdienstleistungsgesetz*).

Data Protection

Several companies in our DACH Division process personal data in their businesses, both when providing third-party debt collection and debt purchase services. The collection, processing and use of personal data by companies established in Germany is governed by the German Federal Data Protection Act (*Bundesdatenschutzgesetz*). The requirements include that personal data may only be collected, processed and used for legitimate purposes. Furthermore, data subjects need to be notified about, *inter alia*, the first storage of their personal data, and certain limitations for the storage period apply. Under the German Federal Data Protection Act, data subjects are also entitled to request information as to which data is processed and transferred. Specific provisions in the German Data Protection Act regulate the legitimacy of credit reporting and scoring as well as transparency requirements for such types of data processing. Personal data relating to collected or purchased debt is partly governed by sector specific data protection regulations or secrecy obligations. Our business is dependent on the ability of third parties to provide us with personal data relating to collected or purchased debt, including personal data provided by the original creditors, credit information bureaus as well as publicly available personal data.

We are also subject to the supervision of local data protection authorities (**"DPA"**) in several states of the Federal Republic of Germany. To comply with regulatory requirements imposed on us, we have established data protection processes, including without limitation, appointing data protection officers, where required, and having in place protection policies for all employees dealing with personal data. Those of our subsidiaries that are credit bureaus, maintain or are in the process of obtaining data protection registrations with the applicable DPAs for each relevant subsidiary that controls the processing of personal data.

Data subjects, DPAs, competitors as well as consumer protection groups and other authorized associations may pursue claims against subsidiaries of GFKL Holdco for breach of the German Federal Data Protection Act. The rights of consumer protection groups and other authorized associations to pursue such claims have been extended with effect as of February 24, 2016. Furthermore, debtors may challenge the validity of the transfer of purchased debt based on the infringement of data protection regulations or secrecy obligations. Unfavorable decisions or judgments based on these types of claims or challenges may adversely impact our business.

On May 24, 2016, the EU General Data Protection Regulation (*Datenschutz-Grundverordnung*) was adopted and will become effective as of May 25, 2018. The EU Data Protection Regulation provides for a number of changes to the EU data protection regime, involving the partial replacement of the current national data protection laws by an EU regulation. Once effective, the EU Data Protection Regulation will strengthen individuals' rights and impose stricter requirements on companies processing personal data. The violation of some of the main requirements set out in the EU General Data Protection Regulation may trigger fines of up to €20 million, or 4% of the global annual turnover of an undertaking, whichever is greater. Further, the EU General Data Protection Regulation provides for stricter requirements and internal processes for the transparency of processed data of individuals, enhanced requirements on security measures and controls, increased rights of individuals to demand the deletion of processed data and obligations to demonstrate compliance with the EU General Data Protection Regulation, including submitting data breach notifications (within a strict deadline) to the relevant supervisory authority and data subjects.

On June 30, 2017 the amended German Federal Data Protection Act (*Bundesdatenschutzgesetz*), which aligns this act with the EU General Data Protection Regulation was promulgated. The amended German Federal Data Protection Act will come into force as of May 25, 2018 and will completely replace the existing act. At this stage it is not possible to fully assess the impact of the implementation of the General Data Protection Regulation on related legal provisions such as the Telemedia Act and German Civil Code.

As such, it is not currently possible to assess its full impact on our business, but it is indicated that the regulation may include substantial further limitations and administrative burdens compared to the present law. In particular, the regulation could impair debt collectors' ability to use debtor data, for example, by restricting their ability to create debtor profiles.

Anti-Money Laundering and Terrorist Financing

Certain companies in our DACH Division must comply with applicable rules and regulations concerning anti money laundering and terrorist financing. We have implemented a procedure in relation to anti money laundering and terrorist financing throughout the DACH Division.

International Conventions

In our international debt collection operations we are subject to European Union legislation and international conventions, such as the European Regulation (EU) No. 1215/2012 of December, 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (''**Brussels Ia**''), which applied from January 10, 2015 and superseded the European Council Regulation (EC) No. 44/2001 of December 22, 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (''**Brussels I**''), and the Conventions on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters as of October 30, 2007 (''**Lugano II**''). Brussels Ia and Lugano II both address issues on jurisdiction and recognition and enforcement of judgments in civil and commercial matters. The contents are mainly the same, but whereas Brussels Ia applies between the member states of the European Union, Lugano II applies between Iceland, Norway and Switzerland and the member states of the European Union in relation to these three states.

Under both Brussels Ia and Lugano II, judgments are, as a general rule, recognized without any special proceedings between the relevant states. Further, Brussels Ia and Lugano II allow judgments given and enforceable in one relevant state to be enforced in another relevant state following only an application to that effect.

MANAGEMENT

The Group

The Issuer is a holding company formed for the purpose of facilitating the GFKL Acquisition and the Lowell Acquisition along with other future potential transactions. The directors of the Issuer are Cédric Pedoni, Alberto Riva and Eddy Perrier. The professional address for each of Cédric Pedoni and Eddy Perrier is 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg, while the professional address for Alberto Riva is Palazzo Spinola, Via San Paolo 10, 20121 Milan, Italy.

Senior Management of the Group

The senior management team of the Group is comprised of the following members:

Name	Age	Title
James Cornell	44	Chief Executive Officer
Colin Storrar	45	Chief Financial Officer
Sara de Tute	56	Non-Executive Director, UK Division
Marc Schillinger	41	Chief Sales Officer
Christopher Trepel	46	Chief Science Officer
Christoph Grandpierre	48	Chief People Officer
Gary Edwards	59	Chief Technology Officer
Thomas Dold	60	DACH Managing Director
Laurence Bogni Bartholmé	49	Chief Risk Officer

Summarized below is a brief description of the experience of the individuals who serve as members of the senior management of the Group.

James Cornell. Mr. Cornell was appointed Chief Executive Officer of the Group in April 2016. Prior to that he was the Chief Executive Officer of Lowell Group Limited since April 2004. He co-founded Lowell Group Limited after joining Premier Seekers (now known as Lowell Group Limited) in July 2003. Previously, Mr. Cornell was interim managing director of Edward James International Limited, a UK debt purchase and collection business. Prior to that, he was Head of Risk at the Caudwell Group. Mr. Cornell has also worked at credit bureau Equifax PLC, where he had a number of roles, including Commercial Director of its B2B Division. Mr. Cornell is a qualified accountant and a member of the Institute of Credit Management.

Colin Storrar. Mr. Storrar was appointed as Chief Financial Officer of the Group in October 2015. Prior to that he served as Chief Financial Officer of Lowell Group Limited since February 2013. From 2008 to 2013, Mr. Storrar was employed by HSBC, having been the Chief Financial Officer at First Direct and then HSBC contact centers, before taking on overall general management responsibility for the latter business unit. Mr. Storrar's financial stewardship enabled First Direct to achieve growth during the financial crisis from 2008 to 2010. From 2002 to 2008, he held the positions of Financial Controller, Head of Internal Audit and Director of Financial Planning at GE Consumer Finance and prior to that, Mr. Storrar held various audit and consultancy positions with Arthur Andersen and Deloitte. Mr. Storrar holds a first class Bachelor of Arts in Modern History from the University of Leeds and an MSc in Economics and Economic History from the London School of Economics.

Sara de Tute. Ms. de Tute was appointed Non-Executive Director for the UK Division on September 1, 2017 and has served as Chief Risk Officer of the Group since December 2015. Ms. de Tute will continue to serve as Chief Risk Officer until October 1, 2017 to transition Ms. Bartholmé into her new role. Prior to that she was Director of Lowell Group Limited from May 2013. Prior to joining Lowell Group Limited, she was Legal & Compliance Director at Wescot Credit Services which she joined in 2003. During her time at Wescot Credit Services, Ms. de Tute led a compliance transformation. Ms. de Tute sits on the board of the Credit Services Association (the debt collection and purchase trade association) and was President from September 2011 to February 2014. She is now a director with responsibility for Compliance at the CSA. Ms. de Tute is a qualified solicitor and holds a Bachelor of Law degree from the University of Leeds.

Marc Schillinger. Mr. Schillinger was appointed as Chief Sales Officer of the Group in 2015 and Managing Director of Lowell Holding GmbH (previously Garfunkel Holding GmbH) as well as GFKL Financial Services GmbH in 2016. Mr. Schillinger joined our DACH Division in 2002 as a project manager leading the international expansion. In 2005, Mr. Schillinger became responsible for the international

DACH Division subsidiaries and from 2007 was managing director in Spain. In 2010 he set up the key account management unit as a central sales function for the DACH Division and has led the unit since then. Mr. Schillinger has held a series of leading management roles in sales and marketing at EnBW AG and Bertelsmann SE & Co. KGaA. He holds a Bachelor of Arts degree in Business Administration from the Anglia Ruskin University and an MBA from Thunderbird University School of Global Management.

Christopher Trepel. Dr. Trepel was appointed as Chief Science Officer of the Group in February 2016 and leads the global decision science function responsible for asset valuation, predictive model development, financial forecasting, and consumer science research and development. Dr. Trepel is also an Operating Partner in Fenway Summer LLC's venture capital fund focused on the intersection of financial services and technology. Prior to joining, he was Senior Vice President and Chief Scientific Officer at Encore Capital Group and also served at Wells Fargo Bank and McKinsey & Company. Dr. Trepel holds a Ph.D. in Experimental Psychology and has completed postdoctoral work in Neurophysiology and Behavioral Economics.

Christoph Grandpierre. Mr. Grandpierre was appointed as Chief People Officer of the Group in January 2017. As Chief People Officer he leads one of the Group's core functions covering all Human Resources and Colleague Communications aspects. Mr. Grandpierre worked from 2011 to 2016 for Barclays in London as Managing Director and Global Head of HR Services and Transition. Before that he worked for 15 years at IBM in different leadership positions such as Managing Director Human Resources for IBM Germany and DACH, Global Head of Labour Relations, Head of Employee Relations and Business Development EMEA in Paris and several more. Mr. Grandpierre holds a degree in law from the Johannes Gutenberg University of Mainz and also founded his own consulting business.

Gary Edwards. Mr. Edwards was appointed as Chief Technology Officer of the Group in November 2012. He has more than 35 years' experience in engineering and IT, of which 27 years have been within the finance sector. He has a strong track record in transformational leadership across a range of businesses and technologies, and experience of operating at board and senior executive levels. In 2009, Mr. Edwards was appointed Group Chief Information Officer (CIO) at Thomas Cook Plc, reporting to the Group CFO & CEO Shared Operations. Within the finance sector he has worked in the UK, USA, Isle of Man, India and Spain, leading the IT and change agenda for companies including Barclays Corporate Bank, Barclays Retail Bank and Barclaycard & Consumer Lending. He has held an executive role at Lloyds Banking Group, as the Business Transformation Director in Commercial Banking, and was Group IT and Facilities Director at Cattles.

Thomas Dold. Mr. Dold was appointed as DACH Managing Director in November 2016. Mr. Dold spent the first 13 years of his career at IBM (working in Germany and other locations across EMEA) before heading into the new media and technology sectors, where he was Managing Director of Dun & Bradstreet Deutschland for 9 years. Early in 2015, Mr. Dold joined Tesch Inkasso Group as CEO and successfully led its continued growth. Tesch Group became part of the Group in September 2016. Mr. Dold holds a Diplom Betriebswirt FH, Informatics & Marketing from Fachhochschule Bielefeld.

Laurence Bogni Bartholmé. Ms. Bartholmé was appointed Chief Risk Officer on September 1, 2017, which role will become effective on October 1, 2017. Prior to joining the Group, Ms. Bartholmé acted as the Head of International Risk Oversight EMEA at Wells Fargo and in total she has 25 years' experience in Audit and Risk. Prior to her tenure at Wells Fargo, Ms. Bartholmé held senior Risk roles in respected financial services institutions across Europe, such as Credit Agricole and GE Capital. Ms. Bartholmé is a graduate of the University Paris-Dauphine (UPD), with post-graduate studies (UK Masters degree equivalence) at UPD and University Aix en Provence. Her extensive studies covered accounting, finance, tax and audit.

Investment board of the Group

The Group's investment decisions are made by the investment board of Simon Midco, whose members include representatives of Permira and OTPP as well as independent directors.

Group Committees

The Group Committees sit at Simon Midco.

Audit Committee

The Audit Committee is chaired by the non-executive director and consists of representatives from Permira and OTPP. Other attendees such as the Group CEO, Group Chief Risk Officer, Director of Audit, Risk and Compliance Officer and external auditors are invited to meetings as needed depending upon the agenda. The committee currently meets 6 times per year and is responsible for reviewing reports from management and the external auditors on accounting and internal control matters and the Group's annual financial statements before submission to the Group Board for approval.

Risk Committee

The Risk Committee is chaired by the non-executive director and consists of representatives from Permira and OTPP. Other attendees such as the Group CEO, Group Chief Risk Officer, Director of Audit, Risk and Compliance Officer and external auditors are invited to meetings as needed depending upon the agenda. The committee currently meets 6 times per year and is responsible for reviewing reports from management, considering the risks facing the Group and providing updates to the Group Board.

Remuneration Committee

The Remuneration Committee is chaired by the non-executive director and consists of representatives from Permira and OTPP. The Remuneration Committee sets the emoluments of the Executive Committee in addition to the remuneration policies of the Group, including reviewing and proposing changes to bonus and commission schemes.

Group Executive Committee

The Group Executive Committee is chaired by the Group CEO with Group Executive Directors in attendance. The meeting is a decision making meeting to ensure risks and objectives are managed and met along with providing direction to the businesses within the Group.

Compensation and Share Ownership

The aggregate compensation paid by the Group to key management personnel who are directors and/or senior executives of subsidiaries of the Group for the year ended December 31, 2016 was £4.4 million. The Directors of the Parent are not paid by any company that forms part of the Group. See Note 5d to the 2016 Group Consolidated Financial Statements.

We have also established management equity participation plan. See "*Certain Relationships and Related-Party Transactions—Management Equity Participation Program.*"

Conflicts of interest

We believe that there are currently no conflicts of interest between the duties owed by executive management to us and their private interests. Certain of the Directors are representatives of Permira, which is our indirect majority shareholder. In certain situations, the interests of Permira, as indirect majority shareholder, may differ from the interests of our other shareholders. See "*Risk Factors—Risks Related to Our Structure and the Financing—The interests of our controlling shareholder may differ from the interests of the holders of the Notes*."

PRINCIPAL SHAREHOLDERS

Our principal shareholders are (a) Permira Funds, a European private equity firm, which holds a 59.5% beneficial interest in the Group; (b) the Ontario Teachers' Pension Plan Board, an independent single-profession pension plan in Canada, which holds a 27.2% beneficial interest in the Group; and (c) certain members of our management which hold a 13.3% beneficial interest in the Group (together, ''**Principal Shareholders**'', and individually, each a ''**Principal Shareholder**'').

Permira Funds is a European private equity firm with a global reach. Permira, as adviser to the Permira Funds, has approximately 130 professionals in 14 offices worldwide; Frankfurt, Guernsey, Hong Kong, London, Luxembourg, Madrid, Menlo Park, Milan, New York, Paris, Seoul, Shanghai, Stockholm and Tokyo. Since 1985, it has raised €32 billion of committed capital across 15 buy-out funds. Over the last three decades, Permira Funds has completed over 200 transactions, investing across its five sectors: technology, consumer, financial services, healthcare and industrials.

OTPP is a large single-profession pension plan in Canada, managing C$175.6 billion in net assets as of December 31, 2016. It is an independent organization responsible for investing the pension fund's assets and administering the pensions of Ontario's 318,000 active and retired teachers. OTPP has offices in Toronto, New York, London and Hong Kong. OTPP Private Capital (''PC'') is the private investment arm of OTPP, having deployed more than C$35 billion in capital since inception in 1991. PC has invested in more than 300 companies and funds. It was the first Canadian pension plan to do private equity co-investments as well as being a direct private equity investor.

In addition to holding our capital stock, our Principal Shareholders hold certain subordinated shareholder funding claims that will not mature or require cash payments of any kind prior to the date that is six months subsequent to the maturity date of the Existing Senior Notes. We do not account for such claims as indebtedness on our consolidated balance sheet.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliates than they would expect to negotiate with disinterested third parties. In addition to the transactions disclosed in Note 31 of the 2016 Group Consolidated Financial Statements, certain related party transactions are described below.

Management Equity Participation Program

Upon the acquisition of shares and shareholder loan notes in Metis Bidco Ltd, members of our UK Division and our DACH Division management respectively (the ''Members'') participated in the management equity participation program implemented at the level of Garfunkelux Holdco 1 S.à r.l., a Luxembourg private limited liability company (*société à responsabilité limitée*), having its registered office at 488, route de Longwy, L-1940 Luxembourg and registered with the Luxembourg Trade Companies' Register under number B 197.495, through Garfunkel Nominee S.à r.l., a Luxembourg private limited liability company (*société à responsabilité limitée*), having its registered office at 488, route de Longwy, L-1940 Luxembourg and registered with the Luxembourg Trade Companies' Register under number B 197.352 (the ''**Nominee**'') acting as nominee for such Members and holding a legal title to the shares issued by Garfunkel Holdco 1 S.à r.l., in accordance with nominee deeds dated October 13, 2015 as amended from time to time. The interests subscribed by the managers are held subject to and in accordance with the terms set out in an investment and shareholders' agreement entered into between, among others, the Nominee and Garfunkel Holdco 1 S.à r.l., dated October 13, 2015.

Indemnification Arrangements

To provide protection to individuals serving as our directors and executive officers, the current articles of association provide each of our present and former officers with an indemnity against loss or liability to the extent allowed by law. In addition, we maintain D&O insurance for the entire Group.

Consulting Services

Under the terms of the Existing Indentures we are permitted, and under the terms of the Indenture we will be permitted to pay up to £2.0 million per year plus certain additional amounts to Permira for annual management, consulting, monitoring or advisory fees and related expenses.

Management Loans

One senior management employee has entered into a loan agreement with Lowell Holding GmbH for the purposes of acquiring company shares and other senior management may enter into similar loans in the future.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements to which we are a party. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. For further information regarding our existing indebtedness, see ''Use of Proceeds,'' ''Capitalization,'' ''Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations,'' ''Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations,'' and ''Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations.''

Revolving Credit Facility Agreement

Overview and structure

On June 29, 2015, Lowell Holding (as original borrower), the Issuer and Lowell Holding (as original guarantors), the Parent (as topco in respect of certain specific provisions), Goldman Sachs Bank USA, Credit Suisse AG, Citibank, N.A. London Branch, London Branch and ING Bank, a Branch of ING-DiBa AG (as lenders), ING Bank N.V. (as facility agent) and Citibank, N.A., London Branch (as security agent) (amongst others) (the ''**Original RCF Parties**'') entered into the Revolving Credit Facility Agreement. On August 18, 2015, the Original RCF Parties, JPMorgan Chase Bank N.A., London Branch, Simon Holdco, Simon Midco and Simon Bidco (amongst others) entered into an amendment and restatement agreement in respect of the Revolving Credit Facility Agreement, pursuant to which the Revolving Credit Facility Agreement was restated (the ''**Amended and Restated RCF Agreement**,'' the facility provided thereunder the ''**Revolving Credit Facility**'').

The Amended and Restated RCF Agreement provides for borrowings of up to €200.0 million on a committed basis. The Revolving Credit Facility may be utilized by any current or future borrower under the Amended and Restated RCF Agreement in euro, US dollars, Pounds Sterling or certain other currencies (if agreed) by the drawing of cash advances, the issue of Letters of Credit (upon the appointment of an Issuing Bank) and by way of any Ancillary Facilities that may be made available thereunder (each as defined in the Amended and Restated RCF Agreement). Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings are available to be used for general corporate and working capital purposes of the Group (as defined in the Amended and Restated RCF Agreement) including, without limitation, for payment of interest under the Notes.

In addition, the Issuer may elect to request additional facilities either as a new facility or as additional tranches of an existing facility under the Amended and Restated RCF Agreement (the ''**Additional Facility Commitments**'') in amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC. The Issuer and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin, the termination date and the availability period (each subject to parameters as set out in the Amended and Restated RCF Agreement). There are certain limitations (including as to maximum amount) on the ability to incur Additional Facility Commitments.

Availability

The Revolving Credit Facility is able to be utilized from (but excluding) the GFKL Acquisition Completion Date until the date falling one month prior to the maturity date of the Revolving Credit Facility.

Borrowers and Guarantors

Lowell Holding and Simon Bidco are the original borrowers under the Revolving Credit Facility. A mechanism is included in the Amended and Restated RCF Agreement to enable certain of the Issuer's subsidiaries to accede as additional borrowers or additional guarantors under the Revolving Credit Facility, subject to certain conditions. The Amended and Restated RCF Agreement also requires that, subject to, for the avoidance of doubt, the section entitled ''*Guarantees*'' below, in the future each member of the Group (as defined in the Amended and Restated RCF Agreement) which is or becomes a Material Company (as defined in the Amended and Restated RCF Agreement), or is otherwise required to become a guarantor in order to satisfy the Guarantor Coverage Test (as defined below), becomes an additional guarantor under the Amended and Restated RCF Agreement (subject to agreed security principles).

Maturity and Repayment Requirements

The Revolving Credit Facility matures on December 31, 2021. Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility must be repaid in full on or prior to the maturity date for the Revolving Credit Facility. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be re-borrowed during its availability period, subject to certain conditions. The termination date for a facility under an Additional Facility Commitment is the date agreed between the Issuer and the relevant lenders.

Interest Rate and Fees

The interest rate on loans under the Revolving Credit Facility is the rate per annum equal to the aggregate of the applicable margin plus LIBOR (or, in relation to advances in euro, EURIBOR) (as each term is defined in the Amended and Restated RCF Agreement). The initial margin under the Revolving Credit Facility was 3.50% per annum. Given that at least 12 months have expired since June 30, 2015, provided that no event of default has occurred and is continuing, the margin on the loans shall be reduced if the ratio of Consolidated Leverage (less certain cash and cash equivalents) to Consolidated EBITDA for a period of twelve months ending on any quarter date (subject to certain provisions and adjustments) are met. The current margin under the Revolving Credit Facility is 3.5% per annum.

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility which began to accrue from (and including) the GFKL Acquisition Completion Date to (and including) the last day of the availability period for the Revolving Credit Facility at the rate of 35% of the then applicable margin for the Revolving Credit Facility. The commitment fee is payable quarterly in arrears on the last day of the availability period of the Revolving Credit Facility and on the date the Revolving Credit Facility is cancelled in full or on the date on which a lender's commitment is cancelled.

Default interest on overdue amounts is calculated at a rate which is 1% higher than that applicable to the loans under the Revolving Credit Facility.

Simon Bidco, the Issuer and the Parent are also required to pay customary agency fees to the facility agent and the Security Agent in connection with the Amended and Restated RCF Agreement.

Guarantees

The Issuer and the Guarantors have provided a senior guarantee of all amounts payable to the Finance Parties (as defined in the Amended and Restated RCF Agreement) by them or any of their subsidiaries which accede to the Amended and Restated RCF Agreement as additional borrowers or additional guarantors.

The Amended and Restated RCF Agreement requires that (subject to agreed security principles) each subsidiary of the Issuer that is or becomes a Material Company (which definition includes, among other things, any member of the Group (as defined in the Amended and Restated RCF Agreement) that has earnings before interest, tax, depreciation and amortization representing more than 5% of our consolidated EBITDA or gross assets representing more than 5% of the gross assets of the Group (as defined in the Amended and Restated RCF Agreement), subject to certain exceptions) will be required to become an additional guarantor under the Amended and Restated RCF Agreement within 60 days following delivery of the annual financial statements for the relevant fiscal year demonstrating that such subsidiary is a Material Company.

Furthermore, if on the last day of a fiscal year of the Issuer the guarantors under the Amended and Restated RCF Agreement represent less than 80% of each of the consolidated EBITDA or the gross assets of the Group (as defined in the Amended and Restated RCF Agreement) (subject to certain exceptions) (the ''**Guarantor Coverage Test**'') the Issuer must, within 60 business days following the delivery of the annual financial statements for the relevant year, cause sufficient members of the Group to accede to the Amended and Restated RCF Agreement as additional guarantors (subject to agreed security principles and certain exceptions) to satisfy the Guarantor Coverage Test (to be calculated as if such additional guarantors had been guarantors on such last day of the relevant fiscal year).

Security

Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the Collateral (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding in respect of the Revolving Credit Facility in priority to the Notes.

Any Material Company or other member of the Group (each as defined in the Amended and Restated RCF Agreement) which becomes a guarantor of the Revolving Credit Facility is required (subject to agreed security principles) to grant security over certain of its material assets and (if wholly owned by another member or members of the Group) to have its shares (or equivalent ownership interests) secured in favor of the Security Agent.

Representations and Warranties

The Amended and Restated RCF Agreement contains certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated, including: (i) status and incorporation; (ii) binding obligations; (iii) non-conflict with constitutional documents, laws or other obligations; (iv) power and authority; (v) authorizations; (vi) governing law and enforcement; (vii) no event of default; and (viii) accuracy of most recent financial statements delivered.

Covenants

The Amended and Restated RCF Agreement contains certain incurrence covenants and related definitions (with certain adjustments) that reflect the terms of the GFKL Indenture. In addition, the Amended and Restated RCF Agreement also contains certain other affirmative and negative covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

The Amended and Restated RCF Agreement also contains a financial covenant, a brief description of which is set out below.

Notes Purchase Condition

The Amended and Restated RCF Agreement restricts the repayment, prepayment, purchase, redemption, defeasance, acquisition or retirement of the principal amount of the Notes or any permitted refinancing thereof prior to its scheduled maturity date in any manner which involves the payment of cash consideration by a member of the Group to a person who is not a member of the Group (each as defined in the Amended and Restated RCF Agreement) (a ''**Notes Payment**''). A Notes Payment is permitted under certain circumstances, including where commitments under the Revolving Credit Facility are permanently cancelled (and, as applicable, amounts outstanding under the Revolving Credit Facility are permanently prepaid) in at least the same proportion as that by which the Notes or permitted refinancing thereof (as applicable) is repaid, prepaid, purchased, redeemed, defeased, acquired or otherwise retired (calculated by reference to the total Revolving Credit Facility commitments (as at the date the Amended and Restated RCF Agreement is entered into) and the aggregate principal amount of the Notes or permitted refinancing thereof (as applicable) in existence at the GFKL Acquisition Completion Date or incurred at any time thereafter) at a time when no Event of Default (as defined in the Amended and Restated RCF Agreement) is continuing or would result from such payment. If the commitments under the Revolving Credit Facility have been reduced to €70 million no further cancellation and repayment under the Notes Purchase Condition shall be required as a condition to making a Notes Payment (*provided* that no event of default is continuing or would result from such Notes Payment).

Affirmative Covenants

The affirmative covenants include, among others: (i) providing certain financial information, including annual audited and quarterly financial statements, compliance certificates and an annual budget; (ii) authorizations, (iii) compliance with laws and regulations; (iv) payment of taxes; (v) maintenance of material assets; (vi) maintenance of *pari passu* ranking of the Revolving Credit Facility; (vii) preservation of rights under the Acquisition Agreement; (viii) maintenance of insurance arrangements; (ix) rights of access for the facility agent and Security Agent; (x) maintenance of intellectual property; (xi) satisfaction of Guarantor Coverage Test; and (xii) further assurance provisions.

Negative Covenants

The negative covenants include restrictions, among others, with respect to: (i) substantially changing the general nature of the business of the Group (as defined in the Amended and Restated RCF Agreement); (ii) the holding company activities of the Issuer, Simon Holdco, Simon Bidco and Lowell Holding; (iii) amending, waiving or terminating the terms of the Acquisition Agreement; (iv) deliberately changing centers of main interest; and (v) non-compliance with economic sanctions. Otherwise, the negative covenants in the Amended and Restated RCF Agreement are substantially the same as the negative covenants in the GFKL Indenture.

Covenant Suspension

Certain of the covenants under the Amended and Restated RCF Agreement will be suspended upon (i) a public offering of equity securities by any member of the Group (as defined in the Amended and Restated RCF Agreement) or any of the Issuer's holding companies and an achievement of a Leverage Ratio (defined as the ratio of Consolidated Net Indebtedness on the last day of such period to Consolidated EBITDA for the period of the most recent four consecutive financial quarters, each such term as defined in the Amended and Restated RCF Agreement) equal to or less than 2.00:1 (pro forma for any prepayment of certain indebtedness from the proceeds of such public offering) or (ii) an achievement by the Issuer (or any of its affiliates) of a long-term corporate credit rating of Baa3/BBB − or better by Moody's Investor Services, Inc. or Standard & Poor's Investors Ratings Services.

Mandatory Prepayment Requirements upon a Change of Control

On a Change of Control (as defined in the Amended and Restated RCF Agreement), each lender under the Amended and Restated RCF Agreement shall be entitled for a 30-day period after receiving notice thereof to require that all amounts payable under the Senior Finance Documents by the obligors to that lender will become immediately due and payable and the borrowers will immediately prepay or procure the prepayment of all utilizations provided by that lender and the undrawn commitments of that lender will be cancelled and such lender shall have no obligation to participate in further utilizations requested under the Amended and Restated RCF Agreement, in each case save to the extent that any ancillary lender or issuing bank, as between itself and the relevant member of the Group, agrees to continue to provide an ancillary facility or letter(s) of credit, in which case, after notification thereof to the facility agent such arrangements shall continue on a bilateral basis and not as part of, or under, the Senior Finance Documents (each defined term as defined in the Amended and Restated RCF Agreement).

Financial Covenants

If, on any quarter date in respect of the period of the most recent four consecutive financial quarters, the aggregate amount outstanding of all loan utilizations under the Revolving Credit Facility exceeds an amount equal to 30 per cent. of the total commitments under the Revolving Credit Facility, the Issuer is required to confirm whether or not the Leverage Ratio (as defined in the Amended and Restated RCF Agreement and representing the ratio of Consolidated Leverage (less certain cash and Cash Equivalents) on such quarter date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters (subject to certain provisions and adjustments) (the first such period ending on the first quarter date that falls at least three months after the GFKL Acquisition Completion Date, each such term as defined in the Amended and Restated RCF Agreement)) exceeds 7.00:1.00. The covenant is tested quarterly.

Any excess in the financial ratio test set out above will only permit the lenders under the Amended and Restated RCF Agreement to prevent a new utilization of the Revolving Credit Facility (excluding rollovers of existing utilizations) and will not constitute, or result in, a breach of any representation, warranty, undertaking, default, event of default or other term in the Amended and Restated RCF Agreement or any finance documents pertaining thereto.

The Issuer is permitted to prevent or cure excesses in the Leverage Ratio as described above by applying any cure amount (being amounts received by the Issuer in cash pursuant to any new equity or permitted subordinated debt) as if Consolidated Net Indebtedness (as defined the Amended and Restated RCF Agreement) had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the Revolving Credit Facility. No more than four cure amounts may be taken into account during the term of the Revolving Credit Facility and cure amounts in successive financial quarters are not permitted.

Events of Default

The Amended and Restated RCF Agreement contains substantially the same events of default, with certain adjustments, as those applicable to the Notes as set forth in the section entitled "*Description of the Notes—Events of Default.*" In addition, the Amended and Restated RCF Agreement contains the following events of default:

- inaccuracy of a representation or statement when made;
- breach of the Intercreditor Agreement; and
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the finance documents entered into in connection with the Amended and Restated RCF Agreement.

Intercreditor Agreement

On June 29, 2015 the Issuer and Lowell Holding (together with the Issuer and the Parent, the "**Original Debtors**"), Garfunkelux Holdco 1 S.à r.l., Goldman Sachs Bank USA, Credit Suisse AG, Citibank, N.A. London Branch, London Branch and ING Bank, a Branch of ING-DiBa AG (the "**Original RCF Lenders**"), and the Security Agent, among others, entered into an intercreditor agreement (the "**Intercreditor Agreement**"), to which the Trustee and the Parent acceded on July 23, 2015, to which Simon Holdco, Simon Midco and Simon Bidco (as debtors, together with the Original Debtors, the "**Completion Date Debtors**") and JPMorgan Chase Bank N.A. (as a lender under the Amended and Restated RCF Agreement, with all lenders under the Amended and Restated RCF Agreement, being the "**RCF Lenders**") acceded on August 18, 2015, to which Lowell Finance Holdings Limited, Lowell Group Limited, Lowell Funding Limited, Lowell Acquisitions Limited, Lowell Holdings Limited, Lowell Finance Limited, Lowell Financial Limited, Lowell Portfolio I Limited, Tocatto Limited, Interlaken Group Limited, SRJ Debt Recoveries Limited, Fredrickson International Limited, Lowell Solicitors Limited, Garfunkelux PBA S.à r.l. and Metis Bidco Limited (the "**UK/Luxembourg Post-Completion Debtors**") acceded on 9 December 2015, and to which GFKL Financial Services GmbH, Proceed Collection Services GmbH, Sirius Inkasso GmbH, GFKL Collections GmbH, IBW Verwaltungs und Beteiligungs GmbH and Inkasso Becker Wuppertal GmbH & Co. KG (the "**German Post-Completion Debtors**") acceded on 8 March 2016. Certain hedging providers and certain subsidiaries of the Issuer (such subsidiaries, collectively with the Completion Date Debtors, the UK/Luxembourg Post-Completion Debtors and the German Post-Completion Debtors, the "**Debtors**") may accede in the future. By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee to accede to the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes following the Trustee's accession to the Intercreditor Agreement on the Issue Date. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes.

The Intercreditor Agreement 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 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.

Unless otherwise defined in this section or elsewhere in this Offering Memorandum to the extent not defined in the Intercreditor Agreement, capitalized terms set forth and used in this section have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

Parties

Upon the issuance of the Notes, the principal parties to the Intercreditor Agreement will be: (i) Garfunkelux Holdco 1 S.à r.l. in the capacity of Original Investor, (ii) the Parent as TopCo and a Senior Debt Issuer, (iii) the Issuer as the Parent and a Senior Secured Debt Issuer, (iv) the agent for the finance parties under the Amended and Restated RCF Agreement (the "**RCF Facility Agent**"), (v) the RCF Lenders, (vi) the Trustee as trustee for each series of Existing Notes, (vii) the Security Agent, (viii) the

Completion Date Debtors, (ix) the UK/Luxembourg Post-Completion Debtors and (x) the German Post-Completion Debtors.

The ''**Super Senior Creditors**'' include the RCF Lenders together with, upon accession, the Priority Hedge Counterparties (as defined below).

The ''**Senior Secured Creditors**'' include holders of the Original Senior Secured Notes (as defined in the Intercreditor Agreement), the Original Senior Secured Notes Trustee and the Trustee together with, upon accession, the Non-Priority Hedge Counterparties (as defined below) and the Permitted Senior Secured Financing Creditors (as defined below, including the holders of the Senior Secured Notes).

The ''**Senior Secured Notes**'' means the Notes and the Existing Senior Secured Notes.

The ''**Group**'' means the Issuer and its Restricted Subsidiaries.

The ''**Holdco Group**'' means the Parent and each member of the Group.

The Intercreditor Agreement allows for accession by certain future creditors in order to share (to the extent set out in the Intercreditor Agreement) in the relevant security, including:

(i) hedge counterparties pursuant to interest rate and foreign exchange hedging agreements in respect of liabilities to the RCF Lenders, liabilities to the holders of the Senior Secured Notes, the Permitted Senior Secured Financing Liabilities, the Permitted Senior Financing Liabilities and any other indebtedness which is not prohibited under the Secured Debt Documents and which ranks *pari passu* with any of the foregoing listed debt, which are secured on a super senior basis with (among other liabilities) the Amended and Restated RCF (the ''**Priority Hedging Agreements**'' and the providers thereof the ''**Priority Hedge Counterparties**'');

(ii) hedge counterparties pursuant to interest rate or foreign exchange hedging agreements which are secured on a *pari passu* basis with (among other liabilities) the Senior Secured Notes and are not Priority Hedging Agreements (the ''**Non-Priority Hedging Agreements**'' and the providers thereof, the ''**Non-Priority Hedge Counterparties**'' and together with the Priority Hedge Counterparties, the ''**Hedge Counterparties**,'' the Non-Priority Hedging Agreements together with the Priority Hedging Agreements, the ''**Hedging Agreements**'');

(iii) creditors of the Senior Secured Notes and future indebtedness of the Group (the ''**Permitted Senior Secured Financing Creditors**''), which is not prohibited under the terms of the Amended and Restated RCF Agreement and the Senior Secured Notes, is *pari passu* with, and not subordinated in right of payment to, the liabilities owed to the Senior Secured Creditors and which is not prohibited, under the terms of the Amended and Restated RCF Agreement or the Senior Secured Notes, from sharing in the Transaction Security with the rights and obligations of Permitted Senior Secured Financing Creditors (the ''**Permitted Senior Secured Financing Debt**'') the liabilities owed to such creditors being the ''**Permitted Senior Secured Financing Liabilities**''); and

(iv) creditors of the Existing Senior Notes and other future indebtedness of the Holdco Group (the ''**Permitted Senior Financing Creditors**''), which is not prohibited under the terms of the Revolving Credit Facility and the Senior Secured Notes and which is subject to certain provisions of the Intercreditor Agreement, junior to, and subordinated in right of payment to, the liabilities owed to the Senior Secured Creditors (''**Permitted Senior Financing Debt**''), the liabilities owed to such creditors being the ''**Permitted Senior Financing Liabilities**,'' the agreements evidencing such liabilities and the fee letters in connection therewith (and any other document or instrument designated as such by the Parent and the agent, trustee or other relevant representative in respect of such liabilities (the ''**Permitted Senior Financing Representative**'')) being the ''**Permitted Senior Debt Documents**.''

In addition: (i) any shareholder of the Parent that is a creditor of certain indebtedness of the members of the Holdco Group (an ''**Investor**'') shall be a party to the Intercreditor Agreement in that capacity. The Intercreditor Agreement contains customary subordination provisions and restrictions relating to the receivables owing from any member of the Holdco Group to any such Investor (the ''**Investor Liabilities**''); and (ii) certain members of the Group that lend to a Debtor that is a member of the Group (each an ''**Intra-Group Lender**'') shall be a party to the Intercreditor Agreement with respect to such loans or indebtedness owing from such Debtor to such members of the Group (the ''**Intra-Group Liabilities**'') provided the aggregate amount due by such Debtors to any such member of the Group exceeds €5,000,000 and, in the case of a member of our DACH Division, the Structure Event has occurred or the executive board of GFKL Holdco has previously consented to such member of our DACH Division acceding to Intercreditor Agreement as an Intra-Group Lender. The Intercreditor Agreement contains subordination provisions relating to any such Intra-Group Liabilities. However, Debtors will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the Revolving Credit Facility, the Existing Indentures, or the Indenture is continuing; and (iii) if the Issuer lends to a member of the Group (the ''**Holdco Lender**'') it shall be a party to the Intercreditor Agreement with respect to such loans or indebtedness made to members of the Group (the ''**Holdco Liabilities**''), which includes the on-lending of the proceeds of any Permitted Senior Financing Debt by the Holdco Lender (the ''**Holdco (Proceeds Loan) Liabilities**''). The Intercreditor Agreement contains subordination provisions relating to any such Holdco Liabilities.

The Intercreditor Agreement also includes the ability to: (i) replace the Amended and Restated RCF Agreement with a replacement revolving credit facility benefiting from a similar position under the terms of the Intercreditor Agreement; and (ii) issue further senior secured notes and/or senior notes after the Issue Date. The terms set out in this summary in relation to the Revolving Credit Facility will apply to such replacement revolving credit facility and in relation to the Notes, will apply to such further senior secured notes.

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement provides that the liabilities of the Debtors (other than any Senior Debt Issuer, as defined in the Intercreditor Agreement) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) ***first***, the liabilities owed to the Super Senior Creditors (the ''**Super Senior Creditor Liabilities**''), the liabilities owed to the Senior Secured Creditors including with respect to the Senior Secured Notes (the ''**Senior Secured Liabilities**''), the liabilities owed to any Hedge Counterparty (the ''**Hedging Liabilities**'') (to the extent not already included in the Super Senior Creditor Liabilities), the Permitted Senior Secured Financing Liabilities, certain customary costs and expenses of the Existing Trustees, the Trustee (each an ''**ICA Trustee**'' and together, the ''**ICA Trustees**'') and any representative acting as a trustee under any issue of notes (the ''**Trustee Liabilities**''), the liabilities owed to any agent (the ''**Agent Liabilities**'') under any Debt Documents (as such term is defined in the Intercreditor Agreement) the liabilities owed to any arranger under any Debt Document (the ''**Arranger Liabilities**'') and the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), *pari passu* and without any preference between them;

(b) ***second***, any guarantee liabilities owed to any Permitted Senior Financing Creditor (the ''**Senior Guarantee Liabilities**,'' and, together with the Permitted Senior Financing Issuer Liabilities, the ''**Senior Liabilities**'') *pari passu* and without any preference between them;

(c) ***third***, the Holdco (Proceeds Loans) Liabilities;

(d) ***fourth***, the Intra-Group Liabilities; and

(e) ***fifth***, the Holdco Liabilities (other than the Holdco (Proceeds Loans) Liabilities).

The Intercreditor Agreement also provides that the liabilities of any Senior Debt Issuer shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) ***first***, the Super Senior Creditor Liabilities, the Senior Secured Liabilities, the Hedging Liabilities (to the extent not already included in Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), the Trustee Liabilities, any Senior Liabilities due by any Senior Debt Issuer in its capacity as a principal debtor with respect to the Permitted Senior Financing Liabilities (the ''**Permitted Senior Financing Issuer Liabilities**'') *pari passu* and without any preference amongst them; and

(b) ***second***, any Investor Liabilities.

Priority of Security

The Intercreditor Agreement provides that (subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below) the security provided for the Super Senior Creditor Liabilities, the Senior Secured Liabilities (including the Permitted Senior Secured Financing Liabilities), the Hedging Liabilities (to the extent not already included in the Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar) and the Trustee Liabilities (the ''**Transaction Security**'') shall secure these liabilities *pari passu* and without any preference among them (but only to the extent that such Transaction Security is expressed to secure those liabilities).

The Intercreditor Agreement contemplates that certain of the Collateral that is permitted to also be for, or is expressed to be for, or is not prohibited from being for, the benefit of the Permitted Senior Financing Creditors by the terms of the finance documents shall be ''Shared Security'' as defined in the Intercreditor Agreement (the ''**Shared Security**'') and shall rank and secure liabilities listed at (a) and (b) below in the following order:

(a) ***first***, the Super Senior Creditor Liabilities, Senior Secured Liabilities (including the Permitted Senior Secured Financing Liabilities), the Hedging Liabilities (to the extent not already included in the Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), and the Trustee Liabilities, *pari passu* between them (but only to the extent that such Transaction Security is expressed to secure those liabilities); and

(b) ***second***, the Permitted Senior Financing Liabilities *pari passu* between them (but only to the extent that such Transaction Security is expressed to secure those liabilities).

The Investor Liabilities, the Holdco Liabilities and the Intra-Group Liabilities shall not be secured by the Transaction Security or the Shared Security.

Payments and Prepayments; Subordination of the Permitted Senior Financing Debt

The Debtors may make payments and prepayments in respect of the Senior Secured Liabilities and the Trustee Liabilities at any time in accordance with their terms.

The Debtors may make payments and prepayments in respect of the Priority Hedging Agreements and the Non-Priority Hedging Agreements if such payment is a scheduled payment arising under any such agreement or other customary payments under such agreement.

Any Senior Debt Issuer may make payments and prepayments in respect of any Senior Liabilities at any time in accordance with the terms of the relevant senior finance documents in its capacity as a borrower, issuer or equivalent.

Prior to the discharge of all Senior Secured Liabilities and all the Super Senior Creditor Liabilities due to the RCF Lenders (themselves the ''**Senior Secured Debt Liabilities**'' and such date being ''**Senior Secured Debt Discharge Date**'' and with the discharge date of all Super Senior Creditor Liabilities due to the RCF Lenders being the ''**RCF Lenders Discharge Date**''), no member of the Group may make payments in respect of the Senior Liabilities without the Required Senior Consent (as that term is defined in the Intercreditor Agreement) except, and in addition to the paragraph above, as permitted by the Intercreditor Agreement including the following:

(1) if:

  (a) the payment is of:

    (i) any of the principal amount of or capitalized interest on the Senior Liabilities which is either (1) not prohibited from being paid by the Amended and Restated RCF Agreement, any Senior Secured Notes Indenture (as such term is defined in the Intercreditor Agreement) or any Permitted Senior Secured Financing Debt finance document or (2) paid on or after the final maturity date of the relevant Senior Liabilities or, in each case, a corresponding amount of Holdco Liabilities; or

    (ii) any other amount which is not an amount of principal or previously capitalized interest (including any scheduled interest (whether cash pay or payment-in-kind) and default interest) or a corresponding amount of Holdco Liabilities;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Senior Liabilities (a ‘‘**Senior Payment Stop Notice**’’) is outstanding; and

(c) no event of default under the finance documents in respect of the Senior Secured Debt Liabilities arising by reason of non-payment of any amounts due in connection therewith (a ‘‘**Senior Secured Payment Default**’’) has occurred and is continuing; or

(2) certain amounts due to any ICA Trustee for its own account;

(3) costs and expenses of any holder of a mortgage, charge, pledge, lien or other security interest having a similar effect (‘‘**Security**’’) in relation to the protection, preservation or enforcement of such Security;

(4) administrative and maintenance costs, taxes, fees and expenses of any Senior Debt Issuer (in its capacity as a borrower or issuer) incurred in respect of or in relation to (or reasonably incidental to) any Permitted Senior Debt Documents (including in relation to any reporting or listing requirements), provided that such costs and expenses are not incurred in respect of current, threatened or pending litigation against the Secured Parties (as such term is defined in the Intercreditor Agreement) (other than any Permitted Senior Financing Creditor); or

(5) costs, commissions, taxes, fees, premiums and expenses incurred in respect of or in relation to (or reasonably incidental to) any refinancing of the Permitted Senior Financing Liabilities not prohibited by the Intercreditor Agreement, the Amended and Restated RCF Agreement, any Senior Secured Notes Indenture (as such term is defined in the Intercreditor Agreement) and any Permitted Senior Secured Financing Document.

Prior to the Senior Secured Debt Discharge Date, if a Senior Secured Payment Default is continuing all payments in respect of the Senior Liabilities (other than those for which Required Senior Consent has been obtained) will be suspended.

In addition, if an event of default (other than a Senior Secured Payment Default) under the finance documents in respect of the Senior Secured Debt Liabilities (each ‘‘**Senior Secured Event of Default**’’) is continuing and any relevant Permitted Senior Financing Representative has received a Senior Payment Stop Notice from either the RCF Facility Agent or a Senior Secured Notes Trustee (as such term is defined in the Intercreditor Agreement) or other relevant representative of the Permitted Senior Secured Financing Debt (each, a ‘‘**Senior Secured Agent**’’), from the date the relevant Permitted Senior Financing Representative, the Security Agent and the Parent receive the Senior Payment Stop Notice, all payments in respect of Senior Liabilities (other than those for which Required Senior Consent has been obtained) are suspended until the earliest of:

(a) 179 days after the receipt by the relevant Permitted Senior Financing Representative of the Senior Payment Stop Notice;

(b) if a Senior Standstill Period (as defined below) is in effect at any time after delivery of that Senior Payment Stop Notice, the date on which that Senior Standstill Period expires;

(c) the date on which there is a waiver or remedy of the relevant Senior Secured Event of Default;

(d) the date on which the Senior Secured Agent which delivered the Senior Payment Stop Notice notifies (among others) the relevant Permitted Senior Financing Representative, the Security Agent and the Parent that the Senior Payment Stop Notice is cancelled;

(e) the Senior Secured Debt Discharge Date; and

(f) the date on which the Security Agent or Senior Secured Agent takes any enforcement action (including acceleration and/or demand for payment and certain similar actions) (‘‘**Enforcement Action**’’) against a Debtor which it is permitted to take in accordance with the Intercreditor Agreement,

provided that none of the circumstances described above shall prevent the Senior Debt Issuer from making or the Permitted Senior Financing Creditors from receiving payments in respect of the Senior Liabilities in accordance with the terms of the relevant Permitted Senior Debt Documents as a borrower and/or an issuer but only to the extent that the payment is not funded from the proceeds of a payment received from a member of the Group which is otherwise prohibited by the above or the relevant provisions in respect of Holdco Liabilities.

No new Senior Payment Stop Notice may be served by a Senior Secured Agent unless 360 days have elapsed since the immediately prior Senior Payment Stop Notice. No Senior Payment Stop Notice may be served in respect of a Senior Secured Event of Default more than 60 days after the date that the Senior Secured Agent received notice of that Senior Secured Event of Default. No Senior Secured Agent may serve more than one Senior Payment Stop Notice with respect to the same event or set of circumstances, and no Senior Payment Stop Notice may be served in respect of a Senior Secured Event of Default notified to a Senior Secured Agent at the time at which an earlier Senior Payment Stop Notice was issued.

If a Senior Payment Stop Notice ceases to be outstanding or the relevant Senior Secured Event of Default or Senior Secured Payment Default has ceased to be continuing (by being waived by the relevant creditors/creditor's representative or remedied) the relevant Debtor may then make those payments it would have otherwise been entitled to pay under the Permitted Senior Financing Debt and if it does so promptly any Senior Event of Default (and 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 notice which may have been issued as a result of that Senior Event of Default shall be waived. A Senior Secured Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by the Permitted Senior Financing Debt; Senior Standstill Period

Without prejudice to the rights of the Permitted Senior Financing Creditors to take Enforcement Action in relation to the Permitted Senior Financing Issuer Liabilities, prior to the Senior Secured Debt Discharge Date, no Permitted Senior Financing Creditor shall:

(a) direct the Security Agent to enforce or otherwise require the enforcement of any Transaction Security; or

(b) take or require the taking of any Enforcement Action in relation to the Senior Guarantee Liabilities,

without the prior consent of or as required by an Instructing Group (as defined below), except that such restriction will not apply if:

(a) an event of default under the finance documents in respect of the Senior Liabilities (a "**Senior Event of Default**") is continuing;

(b) each Senior Secured Agent has received notice of the relevant Senior Event of Default from the relevant Permitted Senior Financing Representative;

(c) a Senior Standstill Period (as defined below) has expired; and

(d) the relevant Senior Event of Default is continuing at the end of the Senior Standstill Period.

A "**Senior Standstill Period**" shall mean the period starting on the date that the relevant Permitted Senior Financing Representative serves an enforcement notice on each of the Senior Secured Agents until the earliest of:

(a) 179 days after such date;

(b) the date on which the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Liabilities (a "**Senior Guarantor**"), *provided* that the Permitted Senior Financing Creditors may only take the same Enforcement Action against such Senior Guarantor as is taken by the Senior Secured Parties;

(c) the date on which an insolvency event occurs in respect of any Senior Guarantor, in which case Enforcement Action is to be taken only against such Senior Guarantor;

(d) the date of the consent of the relevant Senior Secured Agents (acting on behalf of the relevant creditors); and

(e) the expiration of any other Senior Standstill Period which was outstanding at the date that the current Senior Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

Consultation

Prior to the Credit Facility Lender Discharge Date, if the Security Agent has received Conflicting Enforcement Instructions (as defined in the Intercreditor Agreement), it shall promptly notify each Hedge

Counterparty (as applicable) and the Senior Secured Agents (each, an ''**Agent**'') and such Agents will consult with each other and the Security Agent in good faith for 30 days from the earlier of (i) the date of the latest such Conflicting Enforcement Instruction and (ii) the date falling ten Business Days after the date the original Enforcement Proposal (as such term is defined in the Intercreditor Agreement) is delivered in accordance with the Intercreditor Agreement (the ''**Consultation Period**'').

No such consultation shall be required where the Agents are in agreement with regard to any proposed Enforcement Action, or if:

(a) any of the Transaction Security has become enforceable as a result of an insolvency event; or

(b) creditors holding more than 66⅔% of the participations in the Super Senior Credit Liabilities (the ''**Majority Super Senior Creditors**'') or the creditors holding more than 50% of the participations in the Senior Secured Liabilities (the ''**Majority Senior Secured Creditors**'') determine in good faith (and notify each other representative agent of the Super Senior Creditors, the Senior Secured Creditors and the Permitted Senior Secured Financing Creditors, as applicable) that any delay caused by such consultation could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any of the Transaction Security or the realization proceeds of any enforcement of the Transaction Security; or

(c) if the relevant Senior Secured Agents agree that no consultation period is required.

Following the Consultation Period (or if the Consultation Period was terminated or not required as provided for above), there shall be no further obligation to consult and the Security Agent may act in accordance with the instructions as to enforcement (an ''**Enforcement**'') then or previously received from the Instructing Group (as defined below) and the Instructing Group may issue instructions as to Enforcement to the Security Agent at any time thereafter.

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors (acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the Security Enforcement Principles (as defined below), subject to the above, the relevant Senior Secured Agent shall give notice to the other representatives after which each such representative shall consult with the Security Agent for a period of 30 days (or such lesser period as the Senior Secured Agents may agree) with a view to agreeing the manner of Enforcement, *provided* that such representatives shall not be obliged to consult more than once in relation to each Enforcement.

For the purposes of Enforcement, an ''**Instructing Group**'' means, if prior to the Credit Facility Lender Discharge Date (as that term is defined in the Intercreditor Agreement), the Majority Super Senior Creditors and the Majority Senior Secured Creditors, *provided* that if:

(a) the Super Senior Creditor Liabilities have not been repaid in full in cash within six months of the date of the first instructions of Enforcement given to the Security Agent; or

(b) the Security Agent has not commenced any Enforcement (or any transaction in lieu thereof) or other Enforcement Action within three months of the date of the first instructions of Enforcement given to the Security Agent,

then the Security Agent shall thereafter follow any instructions that are given (at the same time or subsequently) by the Majority Super Senior Creditors (in each case provided the same comply with the Security Enforcement Principles (''**Qualifying Instructions**'') to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors) and ''Instructing Group'' in relation to such Enforcement shall mean the Majority Super Senior Creditors.

Subject to the foregoing, if at the end of the Consultation Period, the Security Agent has received Conflicting Enforcement Instructions then, in relation to such Enforcement, ''Instructing Group'' shall mean the Majority Senior Secured Creditors, *provided* that such instructions from the Majority Senior Secured Creditors are Qualifying Instructions, it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the timeframe for the realization of value from the enforcement of the Transaction Security or Distressed Disposal (as defined below) pursuant to such instructions will be determined by the Majority Senior Secured Creditors.

Security Enforcement Principles

The Intercreditor Agreement provides that Enforcement instructions must be consistent with the following principles (the ''**Security Enforcement Principles**''):

(a) It shall be the primary and overriding aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realization of value from Enforcement of the Transaction Security, recovery by the Super Senior Creditors and the Senior Secured Creditors (the ''**Security Enforcement Objective**'').

(b) The Transaction Security will be enforced and other action as to Enforcement will be taken such that either (i) all proceeds of Enforcement are received by the Security Agent in cash for distribution in accordance with the Payments Waterfall (as defined below); or (ii) if Enforcement is at the direction of the Majority Senior Secured Creditors, sufficient proceeds from Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Creditor Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).

(c) The Enforcement Action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for the realization of value from the Enforcement of the Transaction Security or Distressed Disposal will be determined by the Instructing Group, *provided* that it is consistent with the Security Enforcement Objective.

(d) On (i) a proposed Enforcement of any of the Transaction Security over assets other than shares in a member of the Holdco Group, where the aggregate book value of such assets exceeds €5,000,000 (or its equivalent); or (ii) a proposed Enforcement of any of the Transaction Security over some or all of the shares in a member of the Holdco Group over which Transaction Security exists, the Security Agent shall, upon instruction from the Instructing Group (unless it is incompatible with enforcement proceedings in a relevant jurisdiction) appoint an accounting firm of international standing and reputation, any reputable and independent international investment bank or other reputable and independent professional services firm with experience in restructuring and enforcement, in each case as selected by the Security Agent acting reasonably and in good faith (a ''**Financial Advisor**'') to opine as expert that the proceeds received from any such Enforcement are fair from a financial point of view after taking into account all relevant circumstances (the ''**Financial Advisor's Opinion**'').

(e) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement.

(f) The Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met.

(g) Where the Instructing Group is the Majority Senior Secured Creditors, the Majority Senior Secured Creditors may waive the requirement for a Financial Advisor's Opinion where sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall below, the Super Senior Creditor Liabilities are repaid and discharged in full.

(h) In the event that an Enforcement of the Transaction Security is over assets and shares referred to in (d) above and such Enforcement is conducted by way of public auction, the Super Senior Creditors and the Senior Secured Creditors shall be entitled to participate in such auction on the basis of equal information and access rights as other bidders and financiers in the auction. There is no requirement in the Security Enforcement Principles summarized in this paragraph (h) that requires the Enforcement of Transaction Security to take place by way of public auction.

(i) In the absence of written notice from a Secured Party or group of Secured Parties that are not part of the relevant Instructing Group that such Secured Party/ies object to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an ''**Objection**''), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.

(j) If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisors and/or exercise its own judgment in accordance with the Intercreditor Agreement), a Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the requirement of paragraph (a) above has been met.

The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors and the Majority Senior Secured Creditors, *provided* that no additional obligations may be imposed on a member of the Holdco Group without the consent of the Issuer.

Turnover

Subject to certain exclusions set out therein, the Intercreditor Agreement also provides that if any Senior Secured Creditors, Permitted Senior Financing Creditors or Super Senior Creditors (each, a ''**Primary Creditor**'') receives or recovers the proceeds of any enforcement of all or part of the Transaction Security or any Distressed Disposal other than in accordance with the Payments Waterfall, then it shall:

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold an amount of that receipt or recovery equal to the relevant liabilities on trust for the Security Agent and separate from other assets, property or funds and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Certain further turnover obligations following receipt of non-permitted payments apply to Permitted Senior Financing Creditors and Subordinated Creditors.

Application of Proceeds/Waterfall

All amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Transaction Security (other than the Shared Security) and all amounts required to be turned over pursuant to the Intercreditor Agreement (the ''**Enforcement Proceeds**'') 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, in the following order of priority (the ''**Payments Waterfall**''):

- *first*, in discharging any sums owing to the Security Agent, any receiver or any of its delegates, on a *pro rata* and *pari passu* basis;
- *second*, in discharging (i) any Agent Liabilities, (ii) any Arranger Liabilities and (iii) any Trustee Liabilities, on a *pro rata* and *pari passu* basis;
- *third*, in or towards payment of all costs and expenses incurred by the Super Senior Creditors or Senior Secured Creditors in connection with any realization or enforcement of the Transaction Security (other than Shared 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;
- *fourth*, in payment to the Super Senior Creditors for application towards the discharge of the Super Senior Creditor Liabilities on a *pro rata* basis and *pari passu*;
- *fifth*, in payment to the Senior Secured Creditors for application towards the discharge of the Liabilities owed to the Senior Secured Creditors on a *pro rata* basis and *pari passu*;
- *sixth*, after the Final Discharge Date (as defined in the Intercreditor Agreement), in payment of the balance, if any, to the relevant Debtor or any other person entitled to it.

All amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Shared Security 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, in the following order of priority:

- *first*, in discharging any sums owing to the Security Agent, any receiver or any of its delegates, on a *pro rata* and *pari passu* basis;
- *second*, in discharging (i) any Agent Liabilities or (ii) Arranger Liabilities and (iii) any Trustee Liabilities, on a *pro rata* and *pari passu* basis;
- *third*, in payment of all costs and expenses incurred by any Super Senior Creditor or Senior Secured Creditor in connection with any realization or enforcement of the Shared Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *fourth*, in payment to the Super Senior Creditors for application towards the discharge of the Super Senior Creditor Liabilities on a *pro rata* basis and *pari passu*;
- *fifth,* in payment to the Senior Secured Creditors for application towards the discharge of the Liabilities owed to the Senior Secured Creditors on a *pro rata* basis and *pari passu*;
- *sixth*, in payment of all costs and expenses incurred by any Permitted Senior Financing Creditor in connection with any realization or enforcement of the Shared Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *seventh*, in payment to the Permitted Senior Financing Creditors for application towards the discharge of the Senior Liabilities on a pro rata basis and *pari passu*; and
- *eighth*, following the Final Discharge Date, the balance, if any, in payment to the relevant Debtor to the relevant Debtor or any other person entitled to it.

Release and/or Transfer of Claims and Liabilities in Respect of the Permitted Senior Financing Debt and the Senior Secured Notes and the Transaction Security

Non-distressed Disposal

The Security Agent will (at the request and cost of the relevant Debtor or the Parent) promptly release from the Transaction Security and the relevant documents:

- any Transaction Security (and/or any other claim relating to a relevant finance document (a ''**Secured Debt Document**'')) over any asset which is the subject of:
  - (i) a disposal not prohibited by the terms of any Secured Debt Document (*provided* that, in the case of a disposal to a member of the Holdco Group, the section entitled ''Release of Liens'' in the GFKL Indenture (or any equivalent provision in any other Secured Debt Document (including the Indenture)) are, or will be, complied with by the relevant members of the Holdco Group); or
  - (ii) any other transaction not prohibited by the terms of any Secured Debt Document pursuant to which that asset will cease to be held or owned by a member of the Holdco Group;
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any document or other agreement requested in order for any member of the Holdco 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 Secured Debt Document);
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any asset of any member of the Holdco Group which has ceased to be a Debtor in accordance with the terms of the Secured Debt Documents; and
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any other asset to the extent that such release is in accordance with the terms of the Secured Debt Documents.

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, in each case, *provided* that such disposal or other transaction is not prohibited under a Secured Debt Document, the Security Agent will (at the request and cost of the relevant Debtor or the Parent) promptly release that Debtor and its Subsidiaries from all present and future liabilities (both actual and contingent) under the Secured Debt Documents and the respective assets of such Debtor and its Subsidiaries (and the shares in any such Debtor and/or Subsidiary) from the Transaction Security and the Secured Debt Documents (including any claims relating to a Secured Debt Document and any guarantee or other liabilities).

When making any request for a release pursuant to the above the Parent will confirm in writing to the Security Agent that: (i) in the case of any release requested pursuant to sub-paragraph (i) above, the relevant disposal or other action is not prohibited by the terms of any Secured Debt Document and, in the case of a disposal to a member of the Holdco Group, the section entitled ''Release of Liens'' in the GFKL Indenture (or any equivalent provision in any other Secured Debt Document (including the Indenture)) are, or will be, complied with by the relevant members of the Holdco Group); and (ii) the release requested (or relevant action needing the release) is in accordance with (or is not prohibited by) the terms of, any Secured Debt Document and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent will (at the cost and expense of the relevant Debtor but without the need for any further consent, sanction, authority or further confirmation from any Creditor or Debtor) promptly enter into and deliver such documentation and/or take such other action as the Parent (acting reasonably) will require to give effect to any release or other matter contemplated by this section.

Without prejudice to the foregoing and for the avoidance of doubt, if requested by the Parent in accordance with the terms of any of the Secured Debt Documents, the Security Agent and the other Secured Party will (at the cost of the relevant Debtor and/or the Parent) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the Transaction Security documents as contemplated by the terms of any of the Secured Debt Documents (and the Security Agent is authorized by the Secured Parties to execute, and will promptly execute if requested by the Parent, without the need for any further any consent, sanction, authority or further confirmation from any Secured Party, any such release or document on behalf of the Secured Parties). When making any request pursuant to this paragraph, the Parent will confirm in writing to the Security Agent that such request is in accordance with the terms of a Secured Debt Document and the Security Agent will be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

In the case of any release of Transaction Security requested by the Issuer pursuant to the Amended and Restated RCF Agreement as part of a Permitted Transaction (as that term is defined in the Amended and Restated RCF Agreement) (a ''**Permitted Transaction Request**''), when making that request the Issuer will confirm to the Security Agent that:

- such request is a Permitted Transaction Request (and absent any such statement in a request for a release the Security Agent shall be entitled to assume for all purposes that such request is not a Permitted Transaction Request); and
- it has determined in good faith (taking into account any applicable legal limitations and other relevant considerations in relation to that Permitted Transaction) that it is either not possible or not desirable to implement that Permitted Transaction on terms satisfactory to the Issuer by granting additional Transaction Security and/or amending the terms of the existing Transaction Security in lieu of the requested release,

and the Security Agent will be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

For the avoidance of doubt and notwithstanding anything to the contrary in the Permitted Senior Debt Documents, if any member of the Holdco Group is required to apply, or not prohibited under the Permitted Senior Debt Documents from applying, the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Secured Liabilities:

- no such application of those proceeds will require the consent of any party or Permitted Senior Financing Creditor or will result in a direct or indirect breach of any Permitted Senior Debt Document; and

- any such application will discharge in full any obligation to apply those proceeds in prepayment, redemption or any other discharge or reduction of any Permitted Senior Financing Liabilities.

The above paragraph is without prejudice to any right of any member of the Holdco Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Permitted Senior Financing Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or not prohibited by any other Secured Debt Document.

The Security Agent is irrevocably authorized to:

- release the Transaction Security; and
- release each investor (an ''**Investor**''), Debtor and 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), subject, in respect of the second bullet point above, to certain agency or trustee protective provisions in any of the Secured Debt Documents, which will survive the termination of the Intercreditor Agreement.

Distressed Disposal

A ''**Distressed Disposal**'' means a disposal of an asset of a member of the Holdco Group subject to the Transaction Security which is:

(a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable in accordance with the terms of the relevant Transaction Security documents;

(b) being effected by enforcement of the Transaction Security in accordance with the terms of the relevant Transaction Security documents; or

(c) being effected, after the occurrence of an Acceleration Event, by a Debtor or the Parent to a person or persons which is not a member of the Holdco Group.

Where a Distressed Disposal is being effected, the Intercreditor Agreement provides that the Security Agent is authorized:

(i) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, 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;

(ii) if the asset which is disposed of consists of shares in the capital of an Debtor, to release on behalf of the relevant Creditors, Debtors and Agents (a) that Debtor and any subsidiary of that Debtor from all or any part of: (x) the liabilities it may have as a principal Debtor in respect of financial indebtedness arising under the Debt Documents (whether incurred solely or jointly) (the ''**Borrowing Liabilities**'') (other than Borrowing Liabilities of the Issuer and the Senior Debt Issuer); (y) the liabilities under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have as or as a result of its being a guarantor or surety or giving an indemnity, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Senior Secured Liabilities Documents or the Permitted Senior Debt Documents (as each such term is defined in the Intercreditor Agreement) (the ''**Guarantee Liabilities**'') and (z) any trading and other liabilities (not being Borrowing Liabilities or Guarantee Liabilities) it may have to any Agent (other than any Hedge Counterparty), Arranger (as such term is defined in the Intercreditor Agreement), any Intra-Group Lender or any Debtor (the ''**Other Liabilities**''); (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and (c) any other claim of an Investor, an Intra-Group Lender, or other Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release on behalf of the relevant Creditors, Debtors and Agents (a) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities (other than Borrowing Liabilities of the Issuer or the Senior Debt Issuer), Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets; and (c) any other claim of any Investor, Intra-Group Lender or another Debtor over the assets of that holding company or of any subsidiary of that holding company;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent decides to dispose of all or any part of (y) all present and future moneys, debts, liabilities and obligations due at any time of any Debtor or any holding company of such Debtor or any subsidiary of such Debtor or holding company owed to any Creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly with any other person or in any other capacity, together with any additional liabilities (the ''**Liabilities**'') (other than Borrowing Liabilities of the Issuer or the Senior Debt Issuer); or (z) any liabilities owed by that Debtor to any other Debtor (whether actual or contingent and whether incurred solely or jointly) (the ''**Debtor Liabilities**'') (A) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities 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 (B) if the Security Agent 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 (I) all (and not part only) of the Liabilities owed to the Primary Creditors; and (II) all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case the relevant creditors and Debtors; and

(v) 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 decides to transfer to another Debtor all or part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of (x) the Intra-Group Liabilities; (y) the Holdco Liabilities; or (z) 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, Holdco Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders, the Holdco Lender and relevant Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the receiving entity or receiving entities to which the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities are to be transferred.

If a Distressed Disposal is being effected such that Shared Security or any guarantees in respect of the Permitted Senior Financing Debt will be released or Permitted Senior Financing Debt will be disposed of, it is a condition to the release that either:

(i) each Permitted Senior Financing Representative has approved the release and/or disposal (as applicable) (acting on the instructions of the required percentage of Permitted Senior Financing Creditors in respect of which it is the Permitted Senior Financing Representative under the relevant Permitted Senior Debt Documents); or

(ii) where shares or assets of a Senior Guarantor or assets of the Senior Debt Issuer are sold:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash); and

(B) all present or future obligations owed to the Super Senior Creditors and Senior Secured Creditors under the applicable Secured Debt Documents (the ''**Senior Secured Debt Documents**'') and the Hedging Agreements by a member of the Holdco Group all of whose shares are sold or disposed of pursuant to such Distressed Disposal, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale, provided that if each Senior Secured Agent (acting reasonably and in good faith):

- determines that the Super Senior Creditors and the Senior Secured Creditors (excluding in each case for these purposes the Hedge Counterparties) will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released and discharged; and

- 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:

- pursuant to a public auction; or
- 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 is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement and the circumstances giving rise to such sale or disposal, *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 of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities) will be paid to the Security Agent for application in accordance with the provisions set forth under ''—*Application of Proceeds/Waterfall*'' as if those proceeds were the proceeds of an enforcement of the Transaction Security.

Voting and Amendments

Voting in respect of the Revolving Credit Facility, the Senior Secured Notes and/or Permitted Senior Secured Financing Debt will be in accordance with the relevant documents.

Except for amendments of a minor, technical or administrative nature which may be effected by the Security Agent and subject to the paragraph below and certain customary exceptions contained in the Intercreditor Agreement, amendments to or waivers and consents under the Intercreditor Agreement require the written consent of:

(a) if the relevant amendment or waiver (the ''**Proposed Amendment**'') is prohibited by the Amended and Restated RCF Agreement, the RCF Facility Agent in accordance with that agreement;

(b) if any Senior Secured Notes (including the Original Senior Secured Notes and the Senior Secured Notes (as defined elsewhere in this Offering Memorandum)) have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Secured Notes Indenture (as defined in the Intercreditor Agreement), the relevant Senior Secured Notes Trustee (as such term is defined in the Intercreditor Agreement);

(c) if any Permitted Senior Secured Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Secured Financing Agreement, the Permitted Senior Secured Financing Representative in respect of that Permitted Senior Secured Financing Debt in accordance with that agreement;

(d) if any Permitted Senior Financing Debt (including the Existing Senior Notes) has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Debt Document, the Permitted Senior Financing Representative (as defined in the Intercreditor Agreement) in respect of that Permitted Senior Financing Debt in accordance with that document;

(e) 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);

(f) the Investors; and

(g) the Parent.

An amendment, waiver or consent which only affects secured parties under one Debt Document and does not materially and adversely affect the interests of other creditors, will require only the written agreement from the affected Secured Parties.

Other than when any such amendments, waivers or consents would adversely affect the nature of the Charged Property or the manner in which enforcement proceeds are applied, 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 Transaction Security documents which shall be binding on each party to the Intercreditor Agreement.

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 terms of the immediately preceding paragraph do not apply to any release of Transaction Security, claim or Liabilities or to any consent which the Security Agent gives in accordance with certain clauses of the Intercreditor Agreement.

Option to Purchase

Following an acceleration event under the Amended and Restated RCF Agreement, the Existing Indentures, or the Indenture, in relation to any Permitted Senior Secured Financing Debt or in relation to any Permitted Senior Financing Debt (an ''**Acceleration Event**''), by giving 10 days' notice to the Security Agent, the holders of the Original Senior Secured Notes or the Permitted Senior Secured Financing Liabilities (including the holders of the Senior Secured Notes) may require the transfer to them of all, but not part, of the rights, benefits and obligations in respect of the Credit Facility Lender Liabilities (as such term is defined in the Intercreditor Agreement), subject to certain conditions (including but not limited to full payment of all Credit Facility Lender Liabilities, cash cover, and associated costs and expenses, and provision of certain indemnities).

Following an Acceleration Event or the enforcement of any Transaction Security and after a Senior Secured Acceleration Event (as defined in the Intercreditor Agreement), a simple majority of the Permitted Senior Financing Creditors may, by giving 10 days' notice to the Security Agent, require the transfer to them of all, but not part, of the rights, benefits and obligations in respect of the Senior Secured Liabilities, *provided* that certain conditions are met.

Hedging

All scheduled payments arising under a Hedging Agreement are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement contains customary provisions in relation to the circumstances in which a Priority Hedge Counterparty and a Non-Priority Hedge Counterparty may take Enforcement Action in relation to its hedging.

General

The Intercreditor Agreement contains provisions dealing with:

(a) close-out rights for the Priority Hedge Counterparties and the Non-Priority Hedge Counterparties;

(b) permitted payments (including without limitation, the repayment of Investor Liabilities and the payment of permitted distributions in each case to the extent not prohibited under the terms of the Amended and Restated RCF Agreement, the Existing Indentures, the Indenture, or the finance documents relating to the Permitted Senior Secured Financing Debt or the Permitted Senior Financing Debt;

(c) incurrence of Permitted Senior Secured Financing Debt or additional Permitted Senior Financing Debt that will allow certain creditors and agents with respect to such Permitted Senior Secured Financing Debt or additional Permitted Senior Financing Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement so long as not prohibited under the Amended and Restated RCF Agreement, the Existing Indentures or the Indenture; and

(d) customary protections for the Security Agent, any future Permitted Senior Financing Representative, any future Permitted Senior Secured Financing Representative, the Trustee of the Notes, and the trustees of the Existing Senior Secured Notes and the Existing Senior Notes.

The Intercreditor Agreement is governed by English law and the courts of England have exclusive jurisdiction to settle any disputes arising from it.

The Existing Sterling Notes

On October 19, 2015, the Issuer issued £565.0 million in principal amount of its 8.500% Senior Secured Notes due 2022 (the ''**Existing 2022 Sterling Notes**'') and the Parent issued £230.0 million in aggregate principal amount of its 11.000% Senior Notes (the ''**Existing Senior Notes**'' and together with the Existing 2022 Sterling Notes, the ''**Existing Sterling Notes**''). The interest on the Existing 2022 Sterling Notes is payable semi-annually on May 1 and November 1 of each year and interest payment commenced on May 1, 2016. The Existing 2022 Sterling Notes and the Existing Senior Notes mature on November 1 of 2022 and 2023, respectively.

The Existing Sterling Notes may be redeemed in whole or in part by their respective issuer prior to November 1, 2018, at a redemption price equal to 100% of the principal amount of the notes redeemed plus a make-whole premium and accrued and unpaid interest to the redemption date. After November 1, 2018, the Existing Sterling Notes may be redeemed by their respective issuer at redemption prices specified in the applicable indenture plus accrued and unpaid interest to the redemption date. The specified redemption prices for the Existing 2022 Sterling Notes decrease annually to 100% on or after November 1, 2020, and the specified redemption prices for the Existing 2022 Senior Notes decrease annually to 100% on or after November 1, 2021.

The Existing 2022 Sterling Notes benefit from substantially the same guarantees and security as will benefit the Notes on an equal and ratable basis and subject to the same conditions and timing requirements.

The guarantees benefitting the Existing Senior Notes are provided on a senior subordinated basis by the same Group entities that guarantee, or will guarantee, the Existing 2022 Sterling Notes, the Existing 2022 Euro Notes and the Notes. Accordingly, obligations in respect of the Existing 2023 Sterling Note guarantees rank junior in right of payment to those guarantors' obligations in respect of the Existing 2022 Euro Notes and the Existing 2022 Sterling Notes and will rank junior in right of payment to their obligations in respect of the Notes.

The Existing Senior Notes are secured by second-priority security interests in the share capital of the Issuer, the T-Share of the Issuer held by New Luxco and any receivables under intercompany loans including the receivable related to the Senior Proceeds Loan (the ''**Existing Senior Notes Collateral**''). The Existing Senior Notes Collateral also secures the Existing 2022 Sterling Notes and the Existing 2022 Euro Notes, in each case on a first-priority basis, and it will secure the Notes on a first-priority basis.

The security interests benefitting the Existing Sterling Notes are subject to limitations under applicable laws and may be released under certain circumstances.

We have agreed to observe certain covenants with respect to the Existing Sterling Notes including limitations on dividend distributions and other payments, indebtedness, asset sales, liens, guarantees, mergers and consolidations. In case of a change of control, (including, among others, if all or substantially all of the properties or assets of the Issuer and certain of its subsidiaries taken as a whole are sold, transferred or otherwise disposed of, or if any person acquires the majority of voting power of the Issuer), holders of the Existing Sterling Notes have the right to require the Parent to repurchase all or any part of their Existing Sterling Notes at a purchase price equal to 101% of the principal amount of the Existing Sterling Notes repurchased, plus accrued and unpaid interest to the date of purchase. In the event of certain asset sales, after which the proceeds are not reinvested in the form envisaged by the Existing Indentures and as a result of which such proceeds exceed the greater of £11 million or 7.4% of the Group's total assets (as such term is defined by the October Indentures), the Issuer is required to make an offer to repurchase the Existing Sterling Notes at 100% of the principal amount.

The Existing Sterling Notes contain various events of default, including, among others, non-payment, breach of certain covenants, breach of other obligations set forth in the October Indentures, any security interest under the security document in an amount greater than £5 million ceases to be in full force and effect after a grace period of 10 days, any guarantees of a Significant Subsidiary cease to be in full force and effect after a grace period of 10 days, a cross-default in relation to certain indebtedness aggregating £15 million or more at any time outstanding not being paid prior to the expiration of the grace period provided in such indebtedness or indebtedness becoming due and payable before its specified maturity, failure to pay final judgments in excess of £15 million following a grace period, and certain events of bankruptcy and insolvency, the occurrence of which, with respect to certain events of default, would result in the Existing Sterling Notes becoming due and payable or, with respect to certain other events of default, would allow the holders of each of the Existing 2022 Sterling Notes and the Existing Senior Notes to declare that series of Existing Sterling Notes due and payable.

The offering of the Existing Sterling Notes was not registered under the Securities Act or any U.S. state securities laws. The Existing Sterling Notes were offered and sold within the United States only to qualified institutional buyers as defined in Rule 144A under the Securities Act and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. The Existing Sterling Notes are both listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market.

The Existing 2022 Euro Notes

On July 23, 2015, the Issuer issued €365 million 7.500% Senior Secured Notes due 2022 (the ''**Existing 2022 Euro Notes**''). The interest on the Existing 2022 Euro Notes is payable semi-annually on February 1 and August 1 of each year and interest payment commenced on February 1, 2016. The Existing 2022 Euro Notes mature on August 1, 2022.

The Issuer may redeem all or part of the Existing 2022 Euro Notes prior to August 1, 2018, at a redemption price equal to 100% of the principal amount of such notes redeemed plus a make-whole premium and accrued and unpaid interest to the redemption date. The Issuer may redeem all or part of the Existing 2022 Euro Notes on or after August 1, 2018 at specified redemption prices plus accrued and unpaid interest to the redemption date. The specified redemption prices decrease annually to 100% on or after August 1, 2020.

The Existing 2022 Euro Notes benefit from substantially the same guarantees and security as the Notes on an equal and ratable basis and subject to the same conditions and timing requirements. The security interests are subject to limitations under applicable laws and may be released under certain circumstances.

We have agreed to observe certain covenants with respect to the Existing 2022 Euro Notes including limitations on dividend distributions and other payments, indebtedness, asset sales, liens, guarantees, mergers and consolidations. In case of a change of control, (including, among others, if all or substantially all of the properties or assets of the Issuer and certain of its subsidiaries taken as a whole are sold, transferred or otherwise disposed of, or if any person acquires the majority of voting power of the Issuer), holders of the Existing 2022 Euro Notes have the right to require the Senior Issuer to repurchase all or any part of their Existing 2022 Euro Notes at a purchase price equal to 101% of the principal amount of the Existing 2022 Euro Notes repurchased, plus accrued and unpaid interest to the date of purchase. In the event of certain asset sales, after which the proceeds are not reinvested in the form envisaged by the July Indenture and as a result of which such proceeds exceed €15 million, the Issuer is required to make an offer to repurchase the Existing 2022 Euro Notes at 100% of the principal amount.

The Existing 2022 Euro Notes contain various events of default, including, among others, non-payment, breach of certain covenants, breach of other obligations set forth in the July Indenture, any security interest under the security document in an amount greater than €5 million ceases to be in full force and effect after a grace period of 10 days, any guarantees of a Significant Subsidiary cease to be in full force and effect after a grace period of 10 days, a cross-default in relation to certain indebtedness aggregating €20 million or more at any time outstanding not being paid prior to the expiration of the grace period provided in such indebtedness or indebtedness becoming due and payable before its specified maturity, failure to pay final judgments in excess of €20 million following a grace period, and certain events of bankruptcy and insolvency, the occurrence of which, with respect to certain events of default, would result in the Existing 2022 Euro Notes becoming due and payable or, with respect to certain other events of default, would allow noteholders to declare the Existing 2022 Euro Notes due and payable.

The offering of the Existing 2022 Euro Notes was not registered under the Securities Act or any U.S. state securities laws. The Existing 2022 Euro Notes were offered and sold within the United States only to qualified institutional buyers as defined in Rule 144A under the Securities Act and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. The Existing 2022 Euro Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market.

The Existing 2021 Euro Notes

On September 28, 2016, the Issuer issued €230 million Floating Rate Senior Secured Notes due 2021 and on April 21, 2017, the Issuer issued an additional €175 million of its Floating Rate Senior Secured Notes due 2021 (collectively, the ''**Existing 2021 Euro Notes**''). The interest on the Existing 2021 Euro Notes is payable quarterly on October 1, January 1, April 1 and July 1 of each year and interest payment commenced on January 1, 2017. The Existing 2021 Euro Notes mature on October 1, 2021.

The Issuer may redeem all or part of the Existing 2021 Euro Notes prior to October 1, 2017, at a redemption price equal to 100% of the principal amount of such notes redeemed plus a make-whole premium and accrued and unpaid interest to the redemption date. The Issuer may redeem all or part of the Existing 2021 Euro Notes on or after October 1, 2017 at specified redemption prices plus accrued and unpaid interest to the redemption date. The specified redemption prices decrease annually to 100% on or after October 1, 2018.

The Existing 2021 Euro Notes benefit from substantially the same guarantees and security as the Notes on an equal and ratable basis and subject to the same conditions and timing requirements. The security interests are subject to limitations under applicable laws and may be released under certain circumstances.

We have agreed to observe certain covenants with respect to the Existing 2021 Euro Notes including limitations on dividend distributions and other payments, indebtedness, asset sales, liens, guarantees, mergers and consolidations. In case of a change of control, (including, among others, if all or substantially all of the properties or assets of the Issuer and certain of its subsidiaries taken as a whole are sold, transferred or otherwise disposed of, or if any person acquires the majority of voting power of the Issuer), holders of the Existing 2021 Euro Notes have the right to require the Issuer to repurchase all or any part of their Existing 2021 Euro Notes at a purchase price equal to 101% of the principal amount of the Existing 2021 Euro Notes repurchased, plus accrued and unpaid interest to the date of purchase. In the event of certain asset sales, after which the proceeds are not reinvested in the form envisaged by the Existing 2021 Euro Notes Indenture and as a result of which such proceeds exceed €15 million, the Issuer is required to make an offer to repurchase the Existing 2021 Euro Notes at 100% of the principal amount.

The Existing 2021 Euro Notes contain various events of default, including, among others, non-payment, breach of certain covenants, breach of other obligations set forth in the July Indenture, any security interest under the security document in an amount greater than €7.5 million ceases to be in full force and effect after a grace period of 10 days, any guarantees of a Significant Subsidiary cease to be in full force and effect after a grace period of 10 days, a cross-default in relation to certain indebtedness aggregating €20 million or more at any time outstanding not being paid prior to the expiration of the grace period provided in such indebtedness or indebtedness becoming due and payable before its specified maturity, failure to pay final judgments in excess of €20 million following a grace period, and certain events of bankruptcy and insolvency, the occurrence of which, with respect to certain events of default, would result in the Existing 2021 Euro Notes becoming due and payable or, with respect to certain other events of default, would allow noteholders to declare the Existing 2012 Euro Notes due and payable.

The offering of the Existing 2021 Euro Notes was not registered under the Securities Act or any U.S. state securities laws. The Existing 2021 Euro Notes were offered and sold within the United States only to qualified institutional buyers as defined in Rule 144A under the Securities Act and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. The Existing 2021 Euro Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market.

The Existing 2021 Euro Notes are expected to be redeemed in full in connection with the Transactions.

Existing 2021 Senior Secured Notes Proceeds Loan Agreement (the ''Existing 2021 Initial Proceeds Loan'')

On September 28, 2016, the Issuer loaned the proceeds from the Existing 2021 Euro Notes to GFKL Holdco pursuant to the Existing 2021 Proceeds Loan Agreement (''**Existing 2021 Initial Proceeds Loan**'').

The Existing 2021 Initial Proceeds Loan is denominated in euros in an aggregate principal amount equal to the initial aggregate principal amount of the Existing 2021 Euro Notes. The Existing 2021 Initial Proceeds Loan bears interest from September 28, 2016, on a 360-day basis comprising 30-day months, and at a rate at least equal to the interest rate of the Existing 2021 Euro Notes (including default interest, if any). Interest on the Existing 2021 Initial Proceeds Loan is payable quarterly in arrears. The Existing 2021 Initial Proceeds Loan Agreement provides that GFKL Holdco pays the Issuer interest and principal that becomes payable on the Existing 2021 Euro Notes and any Additional Amounts (as defined in the Indenture). The Existing 2021 Initial Proceeds Loan matures on the maturity date of the Existing 2021 Euro Notes.

Except as otherwise required by law, all payments under the Existing 2021 Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that GFKL Holdco is required to make any such deduction or withholding, it shall pay such additional amounts to the Issuer as may be necessary to ensure that the Issuer receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the Existing 2021 Proceeds Loan Agreement had no such deduction or withholding been made.

The Existing 2021 Proceeds Loan Agreement provides that all payments made pursuant thereto will be made by GFKL Holdco under this loan on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Existing 2021 Euro Notes and the indenture.

The Existing 2021 Initial Proceeds Loan is expected to be fully repaid in connection with the Transactions.

Existing 2021 Additional Proceeds Loan Agreement (the ''Existing 2021 Additional Proceeds Loan'')

On or about April 21, 2017, the Issuer loaned the proceeds from the additional €175 million aggregate principal amount of the Existing 2021 Euro Notes issued on April 21, 2017 to Simon Bidco Limited (the ''Existing 2021 Additional Proceeds Loan''). On July 21, 2017, the Issuer and Simon Bidco Limited entered into the Existing 2021 Additional Proceeds Loan Agreement to document the Existing 2021 Additional Proceeds Loan.

The Existing 2021 Additional Proceeds Loan is denominated in GBP in an aggregate principal amount equal to £146,300,000. The Existing 2021 Additional Proceeds Loan bears interest from April 21, 2017, on a 360-day year and the actual number of days elapsed, and at a rate at least equal to the interest rate of the Existing 2021 Euro Notes (including default interest, if any). Interest on the Existing 2021 Additional Proceeds Loan is payable quarterly in arrears. The Existing 2021 Additional Proceeds Loan Agreement provides that Simon Bidco Limited pays the Issuer interest and principal that becomes payable on the Existing 2021 Euro Notes and any Additional Amounts (as defined in the Indenture). The Existing 2021 Additional Proceeds Loan matures on the maturity date of the Existing 2021 Euro Notes.

Except as otherwise required by law, all payments under the Existing 2021 Additional Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that Simon Bidco Limited is required to make any such deduction or withholding, it shall pay such additional amounts to the Issuer as may be necessary to ensure that the Issuer receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the Existing 2021 Existing Proceeds Loan Agreement had no such deduction or withholding been made.

The Existing 2021 Additional Proceeds Loan Agreement provides that all payments made pursuant thereto will be made by Simon Bidco Limited under this loan on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Existing 2021 Euro Notes and the indenture.

Simon Bidco Limited further on-lent the proceeds of the Existing 2021 Additional Proceeds Loan to Lowell Portfolio I Limited.

The Existing 2021 Additional Proceeds Loan is expected either (a) to be fully repaid in connection with the Transactions or (b) to be amended and restated to amend certain terms thereof, including to update certain references to the Existing 2021 Euro Notes (and related documentation) to refer to the Notes (and related documentation) and to extend the maturity of the Existing 2021 Additional Proceeds Loan to the maturity date of the Notes (the ''**Proceeds Loan Amendment and Restatement**'').

FRN Proceeds Loan 1

On the Issue Date, the Issuer will loan a portion of the proceeds from the Offering of the Notes to GFKL Holdco pursuant to the FRN Proceeds Loan 1 Agreement (''**FRN Proceeds Loan 1**'').

The FRN Proceeds Loan 1 will be denominated in euros. The FRN Proceeds Loan 1 will bear interest from the Issue Date, on a 360-day basis comprising 30-day months, and at a rate at least equal to the interest rate of the Notes (including default interest, if any). Interest on the FRN Proceeds Loan 1 will be payable quarterly in arrears. The FRN Proceeds Loan 1 Agreement will provide that GFKL Holdco will pay the Issuer a portion of the interest and principal that becomes payable on the Notes and any Additional Amounts (as defined in the Indenture). The FRN Proceeds Loan 1 will mature on the maturity date of the Notes.

Except as otherwise required by law, all payments under the FRN Proceeds Loan 1 Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that GFKL Holdco is required to make any such deduction or withholding, it shall pay such additional amounts to the Issuer as may be necessary to ensure that the Issuer receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the FRN Proceeds Loan 1 Agreement had no such deduction or withholding been made.

The FRN Proceeds Loan 1 Agreement will provide that all payments made pursuant thereto will be made by GFKL Holdco under this loan on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture.

FRN Proceeds Loan 2

On the Issue Date, to the extent the Proceeds Loan Amendment and Restatement does not occur, the Issuer will loan a portion of the proceeds from the Offering of the Notes to Simon Bidco Limited pursuant to the FRN Proceeds Loan 2 Agreement (''**FRN Proceeds Loan 2**'').

The FRN Proceeds Loan 2 will be denominated in sterling. The FRN Proceeds Loan 2 will bear interest from the Issue Date, on a 360-day basis comprising 30-day months, and at a rate at least equal to the interest rate of the Notes (including default interest, if any). Interest on the FRN Proceeds Loan 2 will be payable quarterly in arrears. The FRN Proceeds Loan 2 Agreement will provide that Simon Bidco Limited will pay the Issuer a portion of the interest and principal that becomes payable on the Notes and any Additional Amounts (as defined in the Indenture). The FRN Proceeds Loan 2 will mature on the maturity date of the Notes.

Except as otherwise required by law, all payments under the FRN Proceeds Loan 2 Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that Simon Bidco Limited is required to make any such deduction or withholding, it shall pay such additional amounts to the Issuer as may be necessary to ensure that the Issuer receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the FRN Proceeds Loan 2 Agreement had no such deduction or withholding been made.

The FRN Proceeds Loan 2 Agreement will provide that all payments made pursuant thereto will be made by Simon Bidco Limited under this loan on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture.

Existing 2022 Senior Secured Notes Proceeds Loan Agreement (the ''Existing 2022 Proceeds Loan Agreement'')

On June 30, 2015, the GFKL Acquisition Completion Date, the Issuer loaned the drawings under a high-yield bridge facility agreement dated June 26, 2015, to Lowell Holding pursuant to the Existing 2022 Proceeds Loan Agreement (''**Existing 2022 Proceeds Loan**'') dated on June 30, 2015. Following the repayment of the borrowings under the high-yield bridge facility agreement dated June 26, 2015 with the proceeds of the offering of the Existing 2022 Euro Notes, the Existing 2022 Proceeds Loan Agreement was deemed to have on-lent the aggregate principal amount of the Existing 2022 Euro Notes.

The Existing 2022 Proceeds Loan is denominated in euros in an aggregate principal amount equal to the aggregate principal amount of the Existing 2022 Euro Notes. The Existing 2022 Proceeds Loan bears interest from July 23, 2015, the issue date of the Existing 2022 Euro Notes, at a rate at least equal to the interest rate of such notes. Interest on the Existing 2022 Proceeds Loan is payable semi-annually in arrears. The Existing 2022 Proceeds Loan Agreement provides that Lowell Holding will pay the Issuer interest and principal that becomes payable on the Existing 2022 Euro Notes and any additional amounts due thereunder and any other amounts that may be required as a consequence of a Change of Control Offer or Asset Sale Offer (as defined in the July Indenture). The Existing 2022 Proceeds Loan will mature on the maturity date of the Existing 2022 Euro Notes.

Except as otherwise required by law, all payments under the Existing 2022 Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that Lowell Holding is required to make any such deduction or withholding, it shall pay such additional amounts to the Issuer as may be necessary to ensure that the Issuer receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the Existing 2022 Proceeds Loan Agreement had no such deduction or withholding been made.

The Existing 2022 Proceeds Loan Agreement provides that all payments made pursuant thereto will be made by Lowell Holding under this loan on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Existing 2022 Proceeds Loan Agreement Notes and the Existing 2022 Euro Notes indenture.

Senior Proceeds Loan Agreement

In connection with the issuance of the Existing Senior Notes, the Parent loaned the aggregate principal amount of these notes to the Issuer (the ‘‘**Senior Proceeds Loan**’’) pursuant to a loan agreement dated October 13, 2015 (the ‘‘**Senior Proceeds Loan Agreement**’’).

The Senior Proceeds Loan bears interest at a rate at least equal to the interest rate of the Existing Senior Notes and an arm's length remuneration. In consideration for receiving the Senior Proceeds Loan from the Parent, the Issuer paid to the Parent an amount equal to one-off costs and expenses incurred in connection with, amongst others, the issue of the Existing Senior Notes and the Senior Proceeds Loan Agreement (as further described in the Senior Proceeds Loan Agreement). Interest on the Senior Proceeds Loan is payable semi-annually, in arrears. The Senior Proceeds Loan Agreement provides that the Issuer will pay the Parent interest and principal that becomes payable on the Existing Senior Notes, and any additional amounts due thereunder (as defined in the October 2015 Senior Notes Indenture).

The Senior Proceeds Loan will mature on the maturity date of the Existing Senior Notes. Except as otherwise required by law, all payments under the Senior Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that the Issuer is required to make any such deduction or withholding, it shall pay such additional amounts to the Parent as may be necessary to ensure that the Parent receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the Senior Proceeds Loan Agreement had no such deduction or withholding been made.

The Senior Proceeds Loan Agreement provides that all payments made pursuant thereto will be made by the Issuer under the Senior Proceeds Loan in such amounts and on such dates as necessary in order to ensure that the Parent can satisfy its payment obligations under the Existing Senior Notes and the October 2015 Senior Notes Indenture.

Bidco Proceeds Loan Notes—Existing Senior Notes

Following the Parent's extension of the Senior Proceeds Loan to the Issuer, Simon Bidco issued loan notes (the ‘‘**Senior Bidco Proceeds Loan Notes**’’) to the Issuer pursuant to a loan note instrument dated the October 13, 2015 (the ‘‘**Senior Bidco Proceeds Loan Instrument**’’), in an aggregate amount equal to the aggregate principal amount of the Existing Senior Notes. The Senior Bidco Proceed Loan Notes represents the on-lending of the aggregate amount of the Senior Proceeds Loan from the Issuer to Simon Bidco. The Senior Bidco Proceed Loan Notes are listed on the Channel Islands Securities Exchange.

The Senior Bidco Proceeds Loan Notes are denominated in sterling in an aggregate principal amount equal to the aggregate amount of the Senior Proceeds Loan. The Senior Bidco Proceeds Loan Notes bear interest from the date of issue at a rate equal to at least the interest rate of the Senior Proceeds Loan. Interest on the Senior Bidco Proceeds Loan Notes is payable semi-annually in arrears. The Senior Bidco Proceeds Loan Instrument provides that Simon Bidco will pay the Issuer interest and principal that becomes payable on the Senior Proceeds Loan and any additional amounts due thereunder and any other amounts that may be required as a consequence of certain events as set out or referenced in the Senior Proceeds Loan. The redemption date of the Senior Bidco Proceeds Loan Notes is the maturity date of the Senior Proceeds Loan.

Except as otherwise required by law and subject to the provisions of the Senior Proceeds Loan Instrument, the payments made by or on behalf of Simon Bidco under the Senior Bidco Proceeds Loan Instrument will be made free and clear of and without withholding or deduction for, or on account of any taxes. In the event that Simon Bidco is required to make any such deduction or withholding, it shall pay such additional amounts to the Issuer as may be necessary to ensure that the Issuer receives and retains, in the aggregate, a net payment not less than the amount which it would have received under the Senior Bidco Proceeds Loan Notes in the absence of such withholding or deduction.

The Senior Bidco Proceeds Loan Instrument provides that in the event that any sum due is not paid by Simon Bidco on the due date, Simon Bidco shall pay to the Issuer late payment interest on such sums.

Bidco Proceeds Loan Notes—Existing 2022 Sterling Notes

In connection with the issuance of the Existing 2022 Sterling Notes, Simon Bidco issued loan notes (the ''**Senior Secured Bidco Proceeds Loan Notes**'' and, together with the Senior Bidco Proceed Loan Notes, the ''**Bidco Proceeds Loan Notes**'') to the Issuer pursuant to a loan note instrument dated the October 13, 2015 (the ''**Senior Secured Bidco Proceeds Loan Instrument**''), in an aggregate amount equal to the aggregate principal amount of the Existing 2022 Sterling Notes. The Senior Secured Bidco Proceeds Loan Notes represents the deemed on-lending of the proceeds of the Existing 2022 Sterling Notes on and from the these notes' issue date. The Senior Secured Bidco Proceeds Loan Notes are listed on the Channel Islands Securities Exchange.

The Senior Secured Bidco Proceed Loan Notes bear interest at a rate at least equal to the Existing 2022 Sterling Notes. Interest on the Senior Secured Bidco Proceeds Loan Notes is payable semi-annually in arrears. The Senior Secured Bidco Proceeds Loan Instrument provides that Simon Bidco will pay the Issuer interest and principal that becomes payable on the Existing 2022 Sterling Notes and any additional amounts due thereunder and any other amounts that may be required as a consequence of a Change of Control Offer or Asset Disposition Offer (as defined in the October 2015 Senior Secured Notes Indenture). The redemption date of the Senior Secured Notes Bidco Proceeds Loan Notes will be on the maturity date of the Existing 2022 Sterling Notes.

Except as otherwise required by law and subject to the provisions of the Existing 2022 Sterling Notes, all payments made by or on behalf of Simon Bidco under the Senior Secured Bidco Proceeds Loan Instrument will be made free and clear of and without withholding or deduction for, or on account of any taxes. In the event that Simon Bidco is required to make any such deduction or withholding, it shall pay such additional amounts to the Issuer as may be necessary to ensure that the Issuer receives and retains, in the aggregate, a net payment not less than the amount which it would have received under the Senior Secured Bidco Proceeds Loan Notes in the absence of such withholding or deduction.

The Senior Secured Bidco Proceeds Loan Instrument provides that in the event that any sums due are not paid by Simon Bidco on the due date, Simon Bidco shall pay to the Issuer late payment interest on such sums.

Shareholder Loans

In connection with the Lowell Acquisition, the Parent received from Garfunkelux Holdco 1 S.à r.l. a subordinated loan (''**Parent Subordinated SHL**'') and the Issuer received from the Parent a subordinated loan (together with the Parent Subordinated SHL, the ''**Subordinated SHLs**''). Until no earlier than the date that is six months subsequent to the maturity date of the latest maturing of the third-party debt of the Parent or the Issuer, as applicable, the Subordinated SHLs will not require any cash payments, will not permit enforcements or accelerations and must remain held by holders of the ordinary share capital of the Parent or the Issuer, as applicable. The Subordinated SHLs constitute ''Subordinated

Shareholder Funding'' under the Existing Indentures and we expect they will constitute ''Subordinated Shareholder Funding'' under the Indenture. See Note 11 to the Unaudited Group Interim Condensed Consolidated Financial Statements.

Milla Securitization

GFKL Holdco and certain of its subsidiaries have sold certain non-performing receivables to Milla Securitisation (No. 1) Limited (''**Milla**''), a special purpose company established in Jersey, Channel Islands, pursuant to certain receivables purchase agreements entered into between GFKL Holdco and certain of its subsidiaries as sellers and Milla as purchaser. The outstanding principal amount of senior loans (the ''**Senior Loans**'') under the Senior Loan Agreements (as defined below) was €nil as of June 30, 2017.

Receivables Purchase Agreements and Portfolios

GFKL Holdco, PCS and IBW (each a ''**Milla Seller**'' and together, the ''**Milla Sellers**'') have sold certain portfolios of non-performing receivables to Milla pursuant to separate receivables purchase agreements entered into between the Milla Sellers as sellers and Milla as purchaser (the ''**Receivables Purchase Agreements**''). GFKL Holdco has sold non-performing receivables originated by a German retailer from the mail order business and goods sold on credit to private individuals (the ''**German Retailer Portfolio**'') to Milla for a certain purchase price in 2013. PCS has sold non-performing receivables to Milla for a certain purchase price in 2013 and has sold additional non-performing receivables to Milla for a certain purchase price in 2014 (together, the ''**PCS Portfolios**''). IBW has sold non-performing receivables to Milla for a certain purchase price in 2014 (the ''**IBW Portfolio**'' and, together with the Milla Portfolio and the PCS Portfolios, the ''**Portfolios**'').

The respective Milla Sellers each provides certain representations and warranties for the benefit of Milla as purchaser. The breach of some of the representations and warranties which relate to the sold receivables, may result in an obligation of the Milla Seller to repurchase the affected sold receivable upon request from Milla at a percentage of the *pro rata* share of the purchase price for the affected receivable by nominal outstanding balance of the receivable plus interest accrued at a certain percentage until repurchase.

Under the Receivables Purchase Agreements, Milla has appointed the respective Milla Seller under that Receivables Purchase Agreement (each, a ''**Servicer**'') to service on behalf of Milla the receivables sold by that Milla Seller for certain customary fees. GFKL Holdco has subcontracted the actual servicing activities to its subsidiaries SIR, GPP, PCS, IBW, and ZYK as sub-servicers (the ''**Sub-Servicers**'') which hold a collection license pursuant to the German Act on Legal Services (*Rechtsdienstleistungsgesetz*). The Sub-Servicers have confirmed the sub-services in a separate agreement with Milla.

Senior and Subordinated Funding

Milla has financed the payment of the purchase price for the acquisition of the Portfolios through funding by way of certain senior loan agreements entered into between, *inter alios*, Milla as borrower and Goldman Sachs Lending Partners LLC as original lender (the ''**Senior Loan Agreements**'') and certain subordinated loan agreements entered into between Milla as borrower and the respective Milla Seller as subordinated lender (the ''**Subordinated Loan Agreements**''). Payments by Milla of amounts owing by it are made pursuant to certain priority of payment waterfalls (the ''**Priority of Payments**'') set out in the documents.

With respect to GFKL Holdco and PCS as Milla Sellers of the German Retailer Portfolio and the PCS Portfolios, Milla has entered into a senior loan agreement with Goldman Sachs Lending Partners LLC as original lender and certain other transaction parties (as amended and restated on March 19, 2014, including an increase of the commitment of the original lender). With respect to IBW as Milla Seller of the IBW Portfolio, Milla has entered into a senior loan agreement with Goldman Sachs Lending Partners LLC as original lender and certain other transaction parties. Milla is obliged to repay the Senior Loans in certain amounts on each payment date in accordance with the Priority of Payments. The remainder shall be repaid at a certain repayment date. No amount repaid may be re-borrowed.

The lenders under the Senior Loan Agreements are entitled to transfer all of their rights and obligations under the Senior Loan Agreements to GFKL Holdco for a price being equal to the principal amount outstanding under the Senior Loan Agreements, accrued and unpaid interest and outstanding costs, for a period of one month after becoming aware of a change of control and if the cash payments actually provided are more than 20% below the planned expected cash flows on average over any aggregated period of three consecutive months at any time during the life of the Milla Securitisation (the ''**Milla Put**''). A ''change of control'' occurs, *inter alia*, if any person or persons acting in concert acquire directly or indirectly more than 50% (or 30% after an initial public offering) of the shares in GFKL Holdco (or the respective subsidiary of GFKL Holdco acting as seller under the related Receivables Purchase Agreement) or such number of shares in GFKL Holdco (or the respective subsidiary of GFKL Holdco acting as seller under the related Receivables Purchase Agreement) carrying more than 50% of the voting rights normally exercisable at the general meetings of GFKL Holdco or the respective subsidiary.

The obligations of Milla as borrower under the Senior Loan Agreements are secured by pledges over the respective operating accounts, assignment of all rights and claims under the fiduciary agreements regarding the collection accounts held by the servicers for the benefit of Milla and assignment of rights and claims of Milla under the transaction documents (excluding the Subordinated Loan Agreements). The Senior Loan Agreements contain certain negative and affirmative undertakings as well as a series of customary termination grounds, such as failure to pay, breach of other obligations, misrepresentation, insolvency, insolvency proceedings, creditors' process, unlawfulness and repudiation and material litigation.

In the event that GFKL Holdco were to be replaced as servicer under the Receivables Purchase Agreement relating to the Milla Portfolio, GFKL Holdco is entitled to demand transfer of all of the rights and obligations under the Senior Loan Agreements to itself.

GFKL Holdco, PCS and IBW as lenders have granted subordinated loans to Milla as borrower. The claims of the lenders under the Subordinated Loan Agreements rank junior to those of the lenders under the Senior Loan Agreements. Disbursement of each of the loans under the Subordinated Loan Agreements is set off in a corresponding amount against the purchase price payable to the Milla Seller under the respective Receivables Purchase Agreement and the sellers therefore did not receive the full purchase price in cash.

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this ''*Description of the Notes*'' under the heading ''*Certain Definitions*.'' For purposes of this ''*Description of the Notes*,'' references to the ''*Issuer*'' are to Garfunkelux Holdco 3 S.A. only and not to any of its Subsidiaries. References to ''we'' or ''us'' or the ''Group'' are to the Issuer and its Subsidiaries, taken as a whole.

The Issuer will issue €415 million aggregate principal amount of Floating Rate Senior Secured Notes due 2023. The Notes will be issued under an indenture to be dated as of September 20, 2017 (the ''*Indenture*''), between, *inter alios*, the Issuer, the Parent, Lowell Holding, Citibank, N.A., London Branch, as trustee (the ''*Trustee*''), Citibank, N.A., London Branch, as paying agent, Citibank, N.A., London Branch, as transfer agent (the ''*Transfer Agent*''), Citibank, N.A., London Branch, as registrar (the ''*Registrar*''), Citibank, N.A., London Branch, as calculation agent (the ''*Calculation Agent*''), and Citibank, N.A., London Branch, as security agent (the ''*Security Agent*''), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the forms of Notes, the Security Documents and the Intercreditor Agreement are available as set forth in this Offering Memorandum under the caption ''*Listing and General Information*.''

The gross proceeds of the offering of the Notes sold on the Issue Date, together with cash on balance sheet, will be used to (i) redeem all of the Existing 2021 Euro Notes, (ii) pay the accrued interest and the redemption premium for the Existing 2021 Euro Notes, and (iii) pay fees and expenses in connection with the Transactions, each as set forth in this Offering Memorandum under the caption ''*Use of Proceeds*.''

Upon the initial issuance of the Notes, the Notes will be obligations of the Issuer and will be guaranteed by the Initial Guarantors on a senior basis. See ''*—The Note Guarantees*.''

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below). The terms of the Intercreditor Agreement are important to understanding relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the U.S. Securities Act and are subject to certain transfer restrictions.

As of the Issue Date, all of our Subsidiaries will be ''Restricted Subsidiaries'' for purposes of the Indenture. However, under the circumstances described below under ''*—Certain Definitions—Unrestricted Subsidiary*,'' we will be permitted to designate certain of our Subsidiaries as ''Unrestricted Subsidiaries.'' Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not guarantee the Notes.

The Notes

The Notes will:

- be general senior obligations of the Issuer, secured as set forth under ''*—Security*'';
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the obligations of the Issuer under the Existing Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations;

- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, including obligations of the Issuer under the Senior Proceeds Loan and its guarantee of the Existing Senior Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;
- be guaranteed by the Guarantors as described under ''—*The Note Guarantees*'';
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors;
- mature on September 1, 2023; and
- be represented by one or more registered notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes (see ''*Book-Entry, Delivery and Form*'').

As of June 30, 2017, after giving *pro forma* effect to the Transactions as if they had occurred on that date, the Issuer and its consolidated Subsidiaries would have had £1,250.6 million of secured Indebtedness (excluding local facilities). In addition, there would have been €200.0 million available for drawing under the Revolving Credit Facility and £230.0 million representing the senior subordinated guarantees of the Existing Senior Notes issued under the Existing Senior Notes Indenture.

The Note Guarantees

General

On the Issue Date, the Parent, Lowell Holding, GFKL Holdco, Proceed Collection Services GmbH, Sirius Inkasso GmbH, GFKL Collections GmbH, IBW Verwaltungs- und Beteiligungs GmbH, INKASSO BECKER WUPPERTAL GmbH & Co. KG, Simon Bidco, Simon Midco, Simon Holdco, Metis Bidco Limited, Lowell Finance Holdings Limited, Lowell Group Limited, Lowell Funding Limited, Lowell Acquisitions Limited, Lowell Holdings Limited, Lowell Finance Limited, Lowell Financial Limited, Lowell Portfolio I Limited, Tocatto Limited, Lowell Solicitors Limited, Interlaken Group Limited, SRJ Debt Recoveries Limited and Fredrickson International Limited (the ''*Initial Guarantors*'') will guarantee the Notes on a senior basis. In addition, if required by the covenant described under ''—*Certain Covenants—Limitation on Additional Guarantees*,'' subject to the Intercreditor Agreement and the Agreed Security Principles, certain other Restricted Subsidiaries may provide a Note Guarantee in the future (together with the Initial Guarantors, the ''*Guarantors*''). The Note Guarantees will be joint and several obligations of the Guarantors.

The Note Guarantee of each Guarantor will:

- be a general senior obligation of that Guarantor, secured as set forth under ''—*Security*'';
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Note Guarantee (including such Guarantor's obligations under the Existing Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations and the Parent's obligations under the Existing Senior Notes);
- rank senior in right of payment to any existing and future Indebtedness of such Guarantor that is expressly subordinated in right of payment to such Note Guarantee (including the obligations of such Guarantor (other than the Parent), if any, under the Existing Senior Notes);
- be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of such Guarantor that are not Guarantors, including obligations to trade creditors.

The obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, ''thin capitalization'' rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by reference to the net assets and legal capital of the relevant Guarantor. Additionally, the Note Guarantees will be subject to certain corporate law procedures being complied with. The Note Guarantees will be further limited as required under the Agreed Security Principles which apply to and restrict the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Notes where, among other things, any such grant would be restricted by general statutory or other legal limitations or requirements and may be precluded if the cost of such grant is disproportionate to the benefit to the creditors, including the Holders, of obtaining the applicable guarantee. By virtue of these limitations, 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.

As of December 31, 2016, the Initial Guarantors represented 96% of the consolidated assets of the Group and 94% of Adjusted EBITDA (as defined in this Offering Memorandum and disregarding the EBITDA of any member of the Group that generates negative EBITDA). Claims of creditors of Restricted Subsidiaries that are not Guarantors, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Restricted Subsidiaries that are not Guarantors (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Note Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of Restricted Subsidiaries that are not Guarantors (if any). Although the Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See ''*—Certain Covenants—Limitation on Indebtedness*.''

Note Guarantees Release

The Note Guarantee of a Guarantor will terminate and release:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company), if the sale or other disposition does not violate the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- upon the sale or disposition (including by way of consolidation or merger) of all or substantially all the assets of the Guarantor (other than to the Issuer or any Restricted Subsidiaries), if the sale or other disposition does not violate the Indenture;
- upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in ''*—Defeasance*'' and ''*—Satisfaction and Discharge*'';
- upon the release of the Guarantor's Note Guarantee under any Indebtedness that triggered such Guarantor's obligation to guarantee the Notes under the covenant described in ''*—Certain Covenants—Limitation on Additional Guarantees*'';
- in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under ''*—Amendments and Waivers*'';
- in connection with the implementation of a Permitted Reorganization; or
- with respect to an entity that is not the successor Guarantor, as a result of a transaction permitted by ''*—Certain Covenants—Merger and Consolidation—The Guarantors*.''

The Trustee and the Security Agent shall take all necessary actions reasonably requested in writing by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any

Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee and the Security Agent without the consent of or liability to the Holders or any other action or consent on the part of the Trustee or the Security Agent.

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue €415 million in aggregate principal amount of Notes (''*this series of Notes*''). This series of Notes will mature on September 1, 2023. The redemption price at maturity is 100.000%. This series of Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Interest on this series of Notes will accrue at a rate per annum (the ''*Applicable Rate*''), reset quarterly, equal to the sum of (i) three-month EURIBOR *plus* (ii) 3.50%, as determined by the calculation agent for the Notes (the ''*Calculation Agent*''), which will initially be Citibank, N.A., London Branch, or any successor thereof. Interest on the Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on each September 1, December 1, March 1 and June 1, commencing on December 1, 2017;
- be payable to the holder of record of such Notes on August 15, November 15, February 15 and May 15, immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year and the actual number of days elapsed in the Interest Period.

Interest on overdue principal, interest, premium or Additional Amounts will accrue at a rate that is 1% higher than the rate of interest otherwise applicable to this series of Notes.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Notes.

''*Determination Date*'' with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

''*EURIBOR*,'' with respect to an Interest Period, 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 Reuters Screen EURIBOR 01 Page as of 11.00 a.m. Brussels time, on the Determination Date. If Reuters Screen EURIBOR 01 Page does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Eurozone interbank market, as selected by the Issuer, 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 Eurozone 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 Calculation Agent will request each of three major banks in London, as selected by the Issuer, 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. If, in any case, that rate determined in accordance with the above is less than zero, such rate shall be deemed to be zero.

''*Eurozone*'' means the region comprising member states of the European Union that adopt the euro.

''*Interest Period*'' means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include November 30, 2017.

''*Representative Amount*'' means the greater of (1) €1.0 million and (2) an amount that is representative for a single transaction in the relevant market at the relevant time.

''*Reuters Screen EURIBOR 01 Page*'' means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

''*TARGET Settlement Day*'' means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the ''*Interest Amount*''). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default or manifest error, be final and binding on all parties. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law, *provided, however*, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Notes is permitted under any applicable law.

If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Additional Notes

From time to time, subject to the Issuer's compliance with the covenants described under ''*—Certain Covenants—Limitation on Indebtedness*'' and ''*—Certain Covenants—Limitation on Liens*,'' the Issuer is permitted to issue additional Notes of the same or different series, which shall have terms substantially identical to this series of Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate supplied to the Trustee (''***Additional Notes***''):

(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) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, 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) any relevant limitation language with respect to Note Guarantees and Security Documents.

All series of Additional Notes will 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 any applicable series. Unless the context otherwise requires, for all purposes of the Indenture and this ''*Description of the Notes*,'' references to ''*Notes*'' shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes. Additional Notes may be designated to be of the same series as the Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the Notes initially issued on the Issue Date, and shall be deemed to form one series therewith, and references to this series of Notes shall be deemed to include the Notes initially issued on the Issue Date as well as any such Additional Notes.

Methods of Receiving Payments on the Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (being the common depositary or its nominee for Euroclear and Clearstream).

Principal, interest and premium, 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 the City of London. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by check mailed to the address of the Holder entitled thereto as shown on the register of Holders of Notes for the Definitive Registered Notes. See ''—*Paying Agent and Registrar for the Notes*'' below.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes in the City of London (including the initial Paying Agent). The initial Paying Agent will be Citibank, N.A., London Branch (the ''*Paying Agent*'').

The Issuer will also maintain a registrar (the ''*Registrar*'') and a transfer agent (the ''*Transfer Agent*''). The initial Registrar will be Citibank, N.A., London Branch and the initial Transfer Agent will be Citibank, N.A., London Branch. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer. A register of the Notes shall be maintained at the registered office of the Issuer. In case of inconsistency between the register of the Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail.

If Definitive Registered Notes are in circulation and there is a discrepancy between the register of the Registrar and the register of the Issuer, on consultation between the Issuer and the Registrar, the Issuer will amend the register to reflect the register of the Registrar.

The Issuer may change any Paying Agent, Registrar, Calculation Agent or Transfer Agent for the Notes without prior notice to the Holders of the Notes. 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 several registered notes in global form without interest coupons, as follows:

- each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the ''*144A Global Notes*''). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream; and
- each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the ''*Regulation S Global Notes*'' and, together with the 144A Global Notes, the ''*Global Notes*''). The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (''*Book-Entry Interests*'') will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of 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 and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the ''*144A Book-Entry Interests*'') may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the ''*Regulation S Book-Entry Interests*'') denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

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.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under ''*Transfer Restrictions*.''

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, 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 Registrar and the Transfer Agent are not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the applicable Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of the applicable 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; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

Security

General

On or about the Issue Date, subject to the terms of the Security Documents and the Agreed Security Principles, the Notes will be secured by first-priority security interests ranking *pari passu* with (a) the security interests securing the Revolving Credit Facility and certain hedging obligations (collectively, the ''*Super Senior Obligations*'') (subject to the provisions of the Intercreditor Agreement) and (b) the security interests securing the Existing Senior Secured Notes over:

- the share capital of the Issuer held by the Parent, the share capital of Simon Holdco and Lowell Holding held by the Issuer and the share capital of GFKL Holdco held by Lowell Holding;
- the T-Shares of the Issuer and the Guarantors (except the Parent) held by New Luxco;
- intercompany loan receivables of Lowell Holding, the Issuer and the Parent;
- bank accounts of the Issuer and Lowell Holding;
- substantially all assets of Simon Holdco, Simon Midco, Simon Bidco, Metis Bidco Limited, Lowell Finance Holdings Limited, Lowell Group Limited, Lowell Funding Limited, Lowell Acquisitions Limited, Lowell Holdings Limited, Lowell Finance Limited, Lowell Financial Limited, Lowell Portfolio I Limited, Tocatto Limited, Lowell Solicitors Limited, Interlaken Group Limited, SRJ Debt Recoveries Limited, and Fredrickson International Limited; and
- certain of the share capital and/or intragroup receivables of GFKL Holdco, Proceed Collection Services GmbH, Sirius Inkasso GmbH, GFKL Collections GmbH, IBW Verwaltungs- und Beteiligungs GmbH, INKASSO BECKER WUPPERTAL GmbH & Co. KG;
- Lowell Holding's receivables under any intragroup loans owed by the GFKL Holdco's Subsidiaries; and
- Lowell Holding's rights under the agreement in respect of the GFKL Acquisition and GFKL Holdco's rights under the 2016 Acquisition Agreement.

As described above, the Collateral will also secure the liabilities under the Existing Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations and may also secure certain future Indebtedness, including Additional Notes. Furthermore, the Collateral granted by the Parent will also secure the Existing Senior Notes (and Guarantees thereof) on a second-priority basis for purposes of enforcement under the Intercreditor Agreement. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of the Notes. No appraisals of the Collateral have been made in connection with this issuance of Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all.

Notwithstanding the provisions of the covenant described below under ''*—Certain Covenants—Limitation on Liens*,'' certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles, including (but not limited to) if:

- the security interest to be granted is (i) by a member of the Group incorporated, organized or established under the laws of the Federal Republic of Germany, (ii) over any asset located in the Federal Republic of Germany governed, and/or (iii) under security document governed by the laws of the Federal Republic of Germany and would create security interests other than with respect to the intragroup receivables of, and the shares held by members of the Group in, the relevant entity;
- providing such security or guarantee would be prohibited by general legal and statutory limitations, such as regulatory restrictions, financial assistance, corporate benefit, capital maintenance, fraudulent preference, ''interest stripping,'' ''controlled foreign corporation,'' transfer pricing or ''thin capitalization'' rules, tax restrictions, retention of title claims and similar principles; *provided* that the Issuer or the relevant Restricted Subsidiary, as applicable, shall use commercially reasonable endeavors to overcome any such limitation;
- providing such security or guarantee would require the consent of a supervisory board, works council, regulator or regulatory board (or equivalent), or another external body or person, unless

such consent has been received; *provided* that reasonable endeavors have been used by the Issuer or the relevant Restricted Subsidiary, as applicable, to obtain the relevant consent;

- (subject to certain exceptions) the cost of providing such security or guarantee (including adverse effects on taxes, interest deductibility and stamp duty, notarization and registration fees) is disproportionate to the benefit accruing to the holders;
- the assets are subject to third-party arrangements which may prevent those assets from being secured (or are assets which, if secured, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of either the Issuer or any of the Restricted Subsidiaries in respect of those assets or require such entity to take any action materially adverse to the interests of the Issuer and the Restricted Subsidiaries or any member thereof); *provided* that reasonable endeavors to obtain consent to charging any such assets shall be used by the Issuer or such Restricted Subsidiary, as applicable, in certain circumstances;
- providing such security or guarantee would not be within the legal capacity of the Issuer or relevant Restricted Subsidiary, or if the same would conflict with the fiduciary duties of those directors or contravene any legal prohibition, *bona fide* contractual restriction or regulatory condition or would, despite market standard limitation language, result in (or in a material risk of) personal or criminal liability on the part of any officer; *provided* that the Issuer or relevant Restricted Subsidiary, as applicable, shall use reasonable endeavors to overcome any such obstacle;
- providing such security or guarantee would have a material adverse effect on the ability of the relevant security provider to conduct its operations and business in the ordinary course (as otherwise permitted by the relevant finance documents); and
- the assets are those of any joint venture or similar arrangement or any minority interest.

For further information regarding limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law, see ''*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*.''

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the ''*Security Interests*'' and each, a ''*Security Interest*'') as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture; (d) the trustee, the security agent and the holders of the Existing Senior Notes under the Existing Senior Notes Indenture; (e) the trustee, the security agent and the holders of the Existing Senior Secured Notes under the Existing Senior Secured Notes Indentures; and (f) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement, the Security Documents and the security documents relating to the Revolving Credit Facility, the Existing Senior Secured Notes, the Existing Senior Notes and such Hedging Obligations, which provide, among other things, that the obligations under the Revolving Credit Facility, certain Hedging Obligations, the Notes and the Existing Senior Secured Notes are secured equally and ratably by first priority Security Interests. However, under the terms of the Intercreditor Agreement, the Holders of the Notes and the Existing Senior Secured Notes will only receive proceeds from the enforcement of the Collateral after certain super senior priority obligations including (i) obligations under the Revolving Credit Facility and (ii) certain priority Hedging Obligations have been paid in full. In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement*,'' ''*—Release of Liens*,'' ''*—Certain Covenants—Impairment of Security Interest*'' and ''*—Certain Definitions—Permitted Collateral Liens.*''

Security Documents

Under the Security Documents, the Parent, the Issuer, New Luxco and certain of the Guarantors have granted, or will grant, security over the Collateral to secure the payment when due on the Issuer's and the Guarantors' payment obligations under the Notes, the Note Guarantees and the Indenture. The

Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent has acted in its own name, but for the benefit of the secured parties (including itself, the Trustee and the holders of Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as security agent for the Existing Senior Notes, the Existing Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations.

The Indenture and the Intercreditor Agreement provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the enforcement of the Collateral. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement.*''

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Note Guarantees, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes, the Note Guarantees and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under ''*—Release of Liens*.''

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders may not be able to recover any amounts under the Security Documents.

Subject to the terms of the Indenture, the Notes, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Parent, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility or certain hedge counterparties or holders of the Existing Senior Secured Notes or the Existing Senior Notes. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement.*''

The creditors under the Revolving Credit Facility, the counterparties to Hedging Obligations secured by the Collateral, the holders of the Existing Senior Secured Notes and the trustee under the Existing Senior Secured Notes have (i) appointed the Security Agent to act as their respective agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents and (ii) authorized the Security Agent to (A) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions and (B) execute each security document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Upon accession to the Intercreditor Agreement, the Trustee, by accepting a Note, and each Holder of Notes, by accepting a Note, will be deemed to have, (i) appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents and (ii) authorized the Security Agent to (A) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (B) execute each security document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that it will be subject to the provisions of the Intercreditor Agreement and that the Issuer and the Trustee will be authorized (without any further consent of the Holders of the Notes) to enter into the Intercreditor Agreement and to give effect to its provisions.

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and

(3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the provisions described under ''—*Certain Covenants—Additional Intercreditor Agreements*.''

Release of Liens

New Luxco, the Parent, the Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) other than the existing Security Interest in respect of shares of Capital Stock of the Issuer, in connection with any sale or other disposition of Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to ''—*Certain Covenants—Merger and Consolidation*''), if such sale or other disposition does not violate the covenant described under ''—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*'' or is otherwise permitted in accordance with the Indenture;

(2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under ''—*Amendments and Waivers*'';

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in ''—*Defeasance*'' and ''—*Satisfaction and Discharge*'';

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) in connection with the implementation of a Permitted Reorganization;

(7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale or transfer of such property or assets, which may include Collateral, in each case pursuant to a Qualified Receivables Financing;

(8) in connection with any disposal of Collateral to the Issuer or a Restricted Subsidiary; provided that such release is followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets in a manner consistent with, and pursuant to applicable formalities under, the covenant described under ''—*Certain Covenants—Impairment of Security Interest*'';

(9) in the case of the Security Interest in respect of the Capital Stock of the Issuer, in connection with a Public Offering of the Issuer, which release shall be limited to any shares of Capital Stock of the Issuer sold or otherwise transferred to a Person that is not the Issuer or a Restricted Subsidiary; or

(10) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under ''—*Certain Covenants—Impairment of Security Interest*.''

The Security Agent and the Trustee will take all necessary action reasonably requested in writing by the Issuer to effectuate any release of Collateral securing the Notes and the Note Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under ''—*Redemption for Taxation Reasons*,'' this series of Notes is not redeemable until September 1, 2018.

On and after September 1, 2018, the Issuer may otherwise redeem all or, from time to time, part of this series of Notes upon not less than 10 nor more than 60 days' written notice (except as permitted under ''—*Selection and Notice*'' below), at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on September 1 of the years indicated below:

Year	Redemption Price
2018	101.000%
2019 and thereafter	100.000%

In addition, prior to September 1, 2018, the Issuer may redeem all or, from time to time, a part of this series of Notes upon not less than 10 nor more than 60 days' notice (except as permitted under ''—*Selection and Notice*'' below), at a redemption price equal to 100% of the principal amount of this series of Notes, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

We may repurchase the Notes at any time and from time to time in the open market or otherwise. Notice of redemption will be provided as set forth under ''—*Selection and Notice*.''

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.

In connection with any redemption of Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

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 of any series of Notes are to be redeemed at any time, the Paying Agent or the Registrar will select Notes for redemption on a *pro rata* basis or in accordance with the procedures of Clearstream or Euroclear (as applicable), unless otherwise required by law or applicable stock exchange or depository requirements. Neither the Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

On and after the redemption date, interest ceases to accrue on the Notes or the part of the Notes called for redemption. If any series of Notes is to be redeemed in part only, the notice of redemption that relates to that series of Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global 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, Notes called for redemption become due on the date fixed for redemption. If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice may, for the avoidance of doubt, state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was sent, except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture), 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 or waived by the redemption date, or by the redemption date so delayed.

Redemption for Taxation Reasons

The Issuer may redeem any series of Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders of the relevant series of Notes with a copy to the Trustee and the Paying Agent (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to 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 (as defined below under ''*—Withholding Taxes*''), 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 in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice)

(each of the foregoing in clauses (1) and (2), a ''*Change in Tax Law*''), a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendment occurring after the time such successor Person becomes a party to the Indenture.

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 earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or delivery of any notice of redemption of any series of Notes pursuant to the foregoing, the Issuer 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 the Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on 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.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a "*Payor*") in respect of the Notes or with respect to any Note Guarantee, as applicable, 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) any jurisdiction from or through which payment on any such Note is made by or on behalf of the Payor or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax

(each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"), will at any time be required by law to be made from any payments made by or on behalf of the Payor or the relevant Paying Agent with respect to any Note or any Note Guarantee, as applicable, including payments of principal, redemption price, interest or premium, if any, 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, 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, as applicable, in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner 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, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically 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 the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture, a Note Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or a Security Document;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a reasonable written request by the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed or withheld as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(4) 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;

(5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Tax, assessment or other governmental charge;

(6) any Taxes that are required to be deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the ''*Code*''), or otherwise imposed or withheld pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(7) any combination of the items (1) through (6) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner directly held such Notes.

Each Holder entitled to any Additional Amounts shall cooperate with the Issuer and the Trustee in providing any information or documentation reasonably requested by the Issuer or the Trustee to confirm the identity and/or tax status of such Holder and any affected beneficial owner to the extent such information is readily available to the Holder (to the extent necessary to establish such Holder's entitlement to Additional Amounts) and to provide reasonable assistance to the Issuer or Trustee in determining the applicable withholding tax rate and the amount of Additional Amounts payable in respect thereof.

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 provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld to each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the relevant Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be 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 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 thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this ''*Description of the Notes*'' there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary Taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar Taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Note Guarantee, the Indenture, the Security Documents or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this issuance of Notes and limited solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such Taxes imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (1) through (3) and (5) through (6) or any combination thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for Tax purposes or otherwise resident for Tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Note Guarantee) is made by or on behalf of such Payor, or any political subdivision or governmental authority thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading ''*Change of Control*,'' each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof, if applicable; *provided* that Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase any series of Notes as described under this heading, ''*Change of Control*,'' in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes of such series and given notice of redemption as described under ''*—Optional Redemption*'' and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under ''*—Optional Redemption*'' and 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 deliver a notice (the ''*Change of Control Offer*'') to each Holder of the Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase 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 30 days nor later than 60 days from the date such notice is delivered) (the ''*Change of Control Payment Date*'');

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is delivered 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 of the Notes being purchased by the Issuer in the Change of Control Offer.

A Holder willing to tender Notes into the Change of Control Offer shall notify its account manager of its election, who shall in turn notify the Paying Agent and the Trustee of such Holder's election. Once such tender has been accepted by the Issuer and notified to the Paying Agent, the Paying Agent shall promptly credit the bank account of such Holder the Change of Control Payment for such Notes so tendered and deduct the corresponding amount of such Notes from such Holder's Euroclear or Clearstream (as applicable) account.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer 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. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

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 in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness at the option of each lender under the Revolving Credit Facility and an obligation to repurchase notes at the option of holders of the Existing Senior Notes issued under the Existing Senior Notes Indenture and the Existing Senior Secured Notes.

Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of ''Change of Control'' includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of 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 assets of the Issuer and its Restricted Subsidiaries taken as a whole. 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 principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Issuer and any Guarantor may Incur Indebtedness (including Acquired Indebtedness) if, on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 4.5 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (''*Permitted Debt*''):

(1) Indebtedness Incurred by the Issuer or 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 at any time outstanding not exceeding (i) €300 million, *plus* the greater of £25 million and 7.9% of ERC, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to the Notes or a Note Guarantee, then the guarantee must be subordinated to the Notes or such Note Guarantee to the same extent as the Indebtedness being 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 Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

    (a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is a Restricted Subsidiary that is not a Guarantor, such Indebtedness is unsecured and (i) except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Restricted Subsidiaries and (ii) to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, or the applicable Note Guarantee, in the case of a Guarantor; and

    (b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) and the related Note Guarantees;

    (b) Indebtedness represented by the Existing Senior Secured Notes;

    (c) any Indebtedness of the Issuer and its Restricted Subsidiaries (other than Indebtedness Incurred under the Revolving Credit Facility or Indebtedness described in clauses (1), (2), (3), (4)(a) or (4)(b) of this paragraph) Incurred or outstanding on the Issue Date, after giving *pro forma* effect to the Transactions;

(d) (i) any Guarantees of the Existing Senior Notes issued or outstanding on the Issue Date (including Guarantees provided subsequent to the Issue Date) and (ii) the Senior Proceeds Loan;

(e) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4)(a), (4)(b), 4(c), (4)(d) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and

(f) Management Advances;

(5) Indebtedness of any Person (i) 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 Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided* that, with respect to this clause (5), at the time of such acquisition or other transaction and after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (x) the Issuer would have been able to Incur £1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements and Interest Rate Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(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 any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time the greater of £18 million and 12.4% of Total Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, value added tax (''*VAT*'') or other tax guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (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 or in respect of any governmental requirement; *provided*, *however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from the 2016 Acquisition Agreement and Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in connection with a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at

the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

(d) 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 of bad debt 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 in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of £25 million and 7.9% of ERC;

(12) Indebtedness Incurred in a Qualified Receivables Financing;

(13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) of the Issuer, 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) and (10) of the third paragraph of the covenant described under ''—*Limitation on Restricted Payments*'' to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described under ''—*Limitation on Restricted Payments*'' in reliance thereon;

(14) Indebtedness Incurred under local overdraft and other local Credit Facilities and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of £7 million and 5.0% of Total Assets; and

(15) Indebtedness arising from the Transactions;

provided, *however*, that no more than the greater of £7 million and 5.0% of Total Assets of Indebtedness at any time outstanding may be Incurred by a Restricted Subsidiary which is not a Guarantor pursuant to clauses (11) and (14) under the second paragraph of this covenant.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness, other than Indebtedness which will continue to be secured on the Collateral and which benefits from super senior priority status pursuant to clause (b)(iii) of the definition of Permitted Collateral Liens, and only be required

to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding under the Revolving Credit Facility on the Issue Date shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph of this covenant;

(3) 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;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (13) or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer 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;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this ''—*Limitation on Indebtedness*.'' The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this ''—*Limitation on Indebtedness*,'' the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any EUR- or pound sterling-denominated (as applicable) restriction on the Incurrence of Indebtedness, the EUR or pound sterling equivalent (as applicable) of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower EUR or pound-sterling equivalent, as applicable), in the case of Indebtedness Incurred under a revolving credit facility; provided that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than EUR or pounds sterling, as applicable, and such refinancing would cause the applicable EUR or pound sterling-denominated restriction, as applicable, to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such EUR- or pound sterling-denominated restriction, as applicable, shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the EUR or pound-sterling equivalent, as applicable, of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the EUR or pounds sterling, as applicable) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in EUR or pounds sterling, as applicable, will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Neither the Issuer nor any Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee, if any, on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

    (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and

    (b) dividends or distributions payable to the Issuer 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 Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (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 and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under ''—*Limitation on Indebtedness*'');

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a ''*Restricted Payment*''), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional £1.00 of Indebtedness pursuant to clause (1) of 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 Original Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10), (11) or (17) 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 fiscal quarter commencing immediately prior to the Original Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Original Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Original Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (w) 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 Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) 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 clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Original Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange); but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions;

(iv) (a) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Original Issue Date (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) or (b) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person after the Original Issue Date, an amount equal to the amount of such Guarantee;

(v) in the event that an Unrestricted Subsidiary is designated as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of ''Permitted Investment''; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Original Issue Date from an Unrestricted Subsidiary;

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in any of the foregoing clauses (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an officer of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, ''*Permitted Payments*''):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under ''—*Limitation on Indebtedness*'' above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under ''—*Limitation on Indebtedness*'' above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness: (a) from Net Available Cash to the extent permitted under ''—*Limitation on Sales of Assets and Subsidiary Stock*,'' but only (i) if the Issuer shall have first complied with the terms described under ''—*Limitation on Sales of Assets and Subsidiary Stock*'' and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; (b) following the occurrence of a Change of Control (or other similar event described therein as a ''change of control''), but only (i) if the Issuer shall have first complied with the terms described under ''—*Change of Control*'' and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent or Special Purpose Vehicle to permit any Parent or Special Purpose Vehicle to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) £7.5 million, *plus* £2 million multiplied by the number of calendar years that have commenced since the Original Issue Date, plus (y) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Original Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof) *plus* (z) the net cash proceeds from key man life insurance policies, to the extent such net cash proceeds in (y) and (z) are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not Excluded Contributions or Parent Debt Contributions;

(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 Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

    (a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or

    (b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions, the Lowell Acquisition or the GFKL Acquisition or (ii) to the extent specified in clauses (2), (3), (5) and (11) 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 Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent 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 Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.75 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.0 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of £11 million and 7.4% of Total Assets;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or a Parent Debt Contribution or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that, on the date of any such Restricted Payment, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 3.0 to 1.0 on a *pro forma* basis after giving effect thereto;

(18) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided, however*, that the total aggregate amount of Restricted Payments made under this clause (18) does not exceed £7.5 million in any calendar year (with unused amounts in any calendar year being carried over in the next two succeeding calendar years);

(19) dividends, loans, distributions, advances or other payments by the Issuer or any of its Restricted Subsidiaries to or on behalf of the direct parent of the Issuer to service the substantially concurrent payment of regularly scheduled interest amounts due under any Senior Notes; *provided* that the net cash proceeds of such Indebtedness or of any Indebtedness for which such Indebtedness constitutes Refinancing Indebtedness have been contributed to the Issuer and such Indebtedness has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under "*—Limitation on Indebtedness*"; and

(20) any dividends, distributions or other payments to any Parent or Unrestricted Subsidiary to the extent that such dividends, distributions or payments are made in order to carry out group contributions under the tax laws or regulations of an applicable jurisdiction up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries

would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliates or unitary basis on behalf of an affiliate group consisting only of the Issuer and its Restricted Subsidiaries.

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 Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

Limitation on Liens

The Issuer 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 the Notes and the Indenture (or a Note Guarantee in the case of Liens of Guarantors) are directly secured, subject to the Agreed Security Principles (but without regard to any Agreed Security Principles limiting the types of assets that may be pledged to secure the Notes and the Note Guarantees under the Indenture), equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to 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*.''

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(b) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(c) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility) and any other agreement or instrument, in each case, in effect at or entered into on the Issue Date or (b) the Indenture, the Notes, the Existing Senior Notes Indenture, the Existing Senior Notes issued on the Issue Date, the Existing Senior Secured Notes Indentures, the Existing Senior Secured Notes, the Intercreditor Agreement, the Security Documents or any related security documents;

(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 Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with

an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary 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 (as defined under ''—*Merger and Consolidation*''), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument that extends, renews, refinances or replaces any of the encumbrances or restrictions referred to in clauses (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 clauses (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole 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 Issuer);

(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, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges 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 Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts) paid on property;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements or policies entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements or Interest Rate Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) 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 (A) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less

favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or (B) the Issuer determines at the time of the Incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or (b) that constitutes an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any lien permitted under ''—*Limitation on Liens*.''

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Board of Directors of the Issuer); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

  (a) cash (including any net cash proceeds received from the conversion, within 180 days of such Asset Disposition, of securities, notes or other obligations received in consideration of such Asset Disposition);

  (b) Cash Equivalents;

  (c) the assumption by the purchaser of (x) any liabilities of the Issuer or its Restricted Subsidiaries recorded on the Issuer's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary are released from any guarantee of such Indebtedness as a result of such Asset Disposition;

  (d) Replacement Assets;

  (e) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

  (f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

  (g) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of £11 million and 7.4% of Total Assets (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

  (h) a combination of the consideration specified in clauses (a) through (g) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days of the later of (i) the date of the consummation of such Asset

Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) 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 term Indebtedness Incurred pursuant to this clause (i), the Issuer or such Restricted Subsidiary will retire such term Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem this series of Notes, any other series of Notes and/or Indebtedness (other than Subordinated Indebtedness or Indebtedness owed to the Issuer or any Restricted Subsidiary) that is secured by a Lien on the Collateral on a *pari passu* basis with the Notes, with respect to such other Indebtedness, at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such prepayment, repayment, purchase or redemption and with respect to any series of Notes, at a price of no less than 100% of the principal amount of the applicable series of Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Indebtedness (other than the Notes) pursuant to clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(2) purchase any series of Notes pursuant to an offer to all Holders of such series of Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, 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);

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; *provided* that a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365-day period, if the investment has not been consummated by that date,

provided, however, if the assets disposed of constitute Collateral or constitute all or substantially all of the assets of a Restricted Subsidiary whose Capital Stock has been pledged as Collateral, the Issuer shall pledge or shall cause the applicable Restricted Subsidiary to pledge any Capital Stock or assets acquired with the Net Available Cash from such disposition referred to in this covenant in favor of the Notes on a first-priority basis, subject to the Agreed Security Principles.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes "*Excess Proceeds*." Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture. On the 366th day (or on the 546th day, in the case of any Net Available Cash committed to be used pursuant to a binding agreement or commitment approved by the Board of Directors of the Parent pursuant to clause (8) of the second preceding paragraph) after an Asset Disposition or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds £25 million, the Issuer will be required within 30 Business Days thereof to make an offer (an ''*Asset Disposition Offer*'') to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness that is secured by a Lien on the Collateral on a *pari passu* basis with the Notes, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any such Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof (if applicable).

To the extent that the aggregate amount of Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and such 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 such Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and such Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in pounds sterling, such Indebtedness shall be calculated by converting any such principal amounts into their pound-sterling equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the 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 such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the ''*Asset Disposition Offer Period*''). No later than five Business Days after the termination of the Asset Disposition Offer Period (the ''*Asset Disposition Purchase Date*''), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the ''*Asset Disposition Offer Amount*'') or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof (if applicable). The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Paying Agent shall deliver to the Holders of Notes the purchase price of Notes validly tendered and not withdrawn and arrange for the deduction of the appropriate amounts of Notes from such Holders' accounts with Euroclear or Clearstream (as applicable). Any Note not so accepted will be promptly delivered (or transferred by book entry) by the Issuer to the Holder thereof.

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 in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer 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 Issuer (any such transaction or series of related transactions being an ''*Affiliate Transaction*'') involving aggregate value in excess of £7.5 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction on an arm's-length basis 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 £20 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer 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 clause (9)(b)(ii) of the third paragraph of the covenant described under ''*—Limitation on Restricted Payments*'') or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (11) of the definition thereof);

(2) any issuance, transfer 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 Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), between or among Restricted Subsidiaries or between or among the Issuer or any Restricted Subsidiary and any Receivables Subsidiary in connection with a Qualified Receivables Financing;

(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 Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, 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 more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer 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 Issuer or any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer 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 Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and entering into any proceeds loan in respect of the proceeds of any issuance of Senior Notes; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding or proceeds loans are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction, including satisfying payment obligations, with respect to any Subordinated Shareholder Funding or proceeds loan in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed £3 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers a written letter or opinion to the Trustee from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) pledges of Capital Stock of Unrestricted Subsidiaries;

(14) any transaction effected as part of a Qualified Receivables Financing; and

(15) any participation in a public tender or exchange offer for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's-length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Parent's fiscal year beginning with the fiscal year ending December 31, 2017, annual reports containing: (i) an operating and financial discussion of the audited financial statements, including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Parent; (ii) *pro forma* income statement and balance sheet information of the Parent, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided*

that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Parent as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years, and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Parent, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; (vi) ERC calculated on an 84-month, a 120-month and a 180-month basis, gross collections, adjusted EBITDA, ERC for the year's vintage, gross money multiple for the year's vintage and purchases for the year; and (vii) a description of the material differences in the financial condition and results of operations between the Issuer and the Parent; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Parent, beginning with the quarter ending September 30, 2017, unaudited quarterly financial statements containing the following information: (i) the Parent's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Parent, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial discussion of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, ERC calculated on an 84-month, a 120-month and a 180-month basis, gross collections, adjusted EBITDA, purchases for the period, and material changes in liquidity and capital resources of the Parent; (iv) a discussion of material changes in material debt instruments since the most recent report; (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; and (vi) a description of the material differences in the financial condition and results of operations between the Issuer and the Parent; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Parent announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Parent or a change in auditors of the Parent, a report containing a description of such event.

The Issuer shall have the option at any time to provide the reports set forth in (1) and (2) above as if each reference to the ''Parent'' had been to the ''Issuer,'' in which case subsections (1)(vii) and (2)(vi) shall not apply.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not ''affiliates'' under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website. Notwithstanding the foregoing, in the event the Issuer posts copies of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant on such website, it will be deemed to have furnished such reports to the Trustee. All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. To the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of the Lowell

Group and the GFKL Group may be provided in lieu thereof. No report need include separate financial statements for any Subsidiaries of the Issuer. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles. At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC, or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Following an Initial Public Offering of the Capital Stock of an IPO Entity or the listing of such Capital Stock on an internationally 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; *provided* that the IPO Entity shall provide financial reporting for the first three fiscal quarters in each fiscal year and an annual report; *provided further* that if the consolidated financial statements of the IPO Entity are included in such report, a reasonably detailed description of material differences between the consolidated financial statements of the IPO Entity and the Issuer shall be included for any period after the Issue Date.

Merger and Consolidation

The Issuer

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity, or the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of any member state of the European Union, any State of the United States of America or the District of Columbia, Canada or any province of Canada or Switzerland and the Successor Company (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(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 Issuer or the Successor Company would be able to Incur at least an additional £1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio for the Issuer or the Successor Company for the most recently ended four full fiscal quarters for which financial statements are available immediately preceding the date on which the transaction is consummated would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any is required in connection with such transaction) comply with the Indenture, and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Without prejudice to clause (3) in the immediately preceding paragraph, any Indebtedness that becomes an obligation of the Issuer 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 Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture, but in the case of a lease of all or substantially all of its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

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 properties or assets of a Person.

The Guarantors

No Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of 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 it unless:

   A. the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposal;

   B. (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and be continuing; or

   C. the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all of the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;

provided, *however*, that the prohibition in clauses (1), (2) and (3) above shall not apply to the extent that compliance with clauses (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses.

The provisions set forth in this ''Merger and Consolidation'' covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, and clauses (1) and (4) under the heading ''—*The Issuer*'' shall apply to such transaction; or (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1), (2) and (4) under the heading ''—*The Issuer*'' or clauses (A) and (B) under the heading ''—*The Guarantors*,'' as the case may be, shall apply to any such transaction.

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 such time, if any, at which the Notes cease to have Investment Grade Status (the ''*Reversion Date*''), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) ''—*Limitation on Restricted Payments*'';

(2) ''—*Limitation on Indebtedness*'';

(3) ''—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*'';

(4) ''—*Limitation on Affiliate Transactions*'';

(5) ''—*Limitation on Sales of Assets and Subsidiary Stock*'';

(6) ''—*Limitation on Additional Guarantees*''; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under ''—*Merger and Consolidation—The Issuer*,''

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the Reversion Date. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The ''*Limitation on Restricted Payments*'' covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(c) of the second paragraph of the covenant described under ''—*Limitation on Indebtedness*.'' In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee in writing that the conditions set forth in the first paragraph under this caption have been satisfied; *provided* that no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

New Luxco, the Issuer and the Parent shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the paragraph below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and New Luxco, the Issuer and the Parent shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral.

Notwithstanding the foregoing, (i) New Luxco, the Issuer, the Parent and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (ii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement; (iii) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein; (iv) New Luxco, the Issuer, the Parent and the Restricted Subsidiaries may discharge and release Security Interests with respect to the Collateral in connection with the implementation of a Permitted Reorganization and (v) the Security Interests, and the related Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets); *provided, however*, that in the case of clauses (i) and (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced; unless, contemporaneously with any such action, the Issuer delivers to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, of the Parent and its Subsidiaries, taken as a whole (as applicable) or of New Luxco, and of the person granting such Security Interest, in each case, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, as so amended, extended, renewed, restated, supplemented, released, modified or replaced, are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, to which such Lien or Liens were not otherwise subject immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the Holders.

Limitation on Additional Guarantees

No Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any other Public Debt, in each case, of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such Guarantee is Incurred and, if applicable, 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 Note Guarantee; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation other than reasonable out-of-pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Note Guarantees granted pursuant to this provision shall be released as set forth under ''—*Releases of the Note Guarantees*.'' A Note Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer or the Parent, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (1) Indebtedness permitted pursuant to the first paragraph of the covenant described under ''—*Limitation on Indebtedness*'' or clause (1), (2), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the covenant described under ''—*Limitation on Indebtedness*'' and (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1), New Luxco, the Parent, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an ''*Additional Intercreditor Agreement*'') or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including, with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer's Certificate and an Opinion of Counsel. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under ''—*Amendments and Waivers*,'' and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and the Security Agent, if applicable) shall consent on behalf of the

Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*" and the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the listing agent for the Notes.

Limitation on Holding Company Activities

The Issuer may not carry on any business activity, hold any assets or Incur any Indebtedness other than in connection with:

(1) the provision of administrative, strategy, legal, accounting, tax, research and development, employee-related, management and other services to its Affiliates of a type customarily provided by a holding company (including entering into and performing any rights or obligations under any Tax Sharing Agreements and acting as the head of a tax group) and the ownership of assets and incurrence of liabilities related to the provision of such services;

(2) (a) the Incurrence of any Indebtedness or Subordinated Shareholder Funding permitted under the Indenture; (b) the conduct of any activities reasonably incidental to the Incurrence of such Indebtedness or Subordinated Shareholder Funding, including the performance of the terms and conditions thereof; and (c) the granting of Liens to secure Indebtedness, in compliance with the provisions of the Indenture;

(3) activities undertaken with the purpose of fulfilling its obligations or exercising its rights under the Indenture, the Existing Senior Notes Indenture, the Existing Senior Secured Notes Indentures, the Intercreditor Agreement (or any Additional Intercreditor Agreement), the Security Documents, and any finance and security arrangements not prohibited by the Indenture;

(4) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (ii) shares of Simon Holdco and Lowell Holding (with respect to the Issuer) and Simon Midco (with respect to Simon Holdco), (iii) Permitted Investments (but, as to Simon Holdco only, excluding Investments in the Capital Stock of any Subsidiary other than Simon Midco or Simon Bidco), and (iv) other property and assets for the purpose of transferring such property and asset to any Parent or other Person;

(5) the management of Simon Holdco's, the Issuer's and its Subsidiaries' assets and conducting activities and entering into transactions related or incidental to the establishment and/or maintenance of Simon Holdco's, the Issuer's and the Issuer's Subsidiaries' corporate existence and any other transaction of a type customarily entered into by holding companies and their subsidiaries (including the payment of wages, Taxes and the incurrence of obligations and liabilities arising by operation of law or that are typical or incidental to the activities of a holding company);

(6) any activity reasonably relating to the servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Notes or other Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) not prohibited to be Incurred under the Indenture;

(7) the entering into and performance of any rights or obligations in respect of (i) contracts and agreements with its officers, directors, employees, consultants and other providers of goods and services; (ii) subscription or purchase agreements for securities or preferred equity certificates, public offering rights agreements, voting and other shareholder agreements, engagement letters, underwriting agreements, agreements with Rating Agencies and other agreements in respect of its securities or any offering, issuance or sale thereof; (iii) engagement letters and reliance letters in respect of legal, accounting and other advice or reports received or commissioned by it, in each case, in relation to transactions which are not prohibited under the Indenture; and (iv) sale and purchase agreements in respect of any merger and acquisition activities;

(8) the listing of its Capital Stock and the issuance, offering and sale of its Capital Stock, including compliance with applicable regulatory and other obligations in connection therewith;

(9) the 2016 Acquisition, the Lowell Acquisition, the GFKL Acquisition and the Transactions; and

(10) the undertaking of any other activities, the holding of assets and the incurrence of liabilities which are not specifically listed in this covenant and which are (i) ancillary to or related to those listed in this covenant or (ii) not material to the Issuer and its Restricted Subsidiaries (taken as a whole).

Listing

The Issuer will use its reasonable best efforts to (i) obtain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading of the Notes on the Euro MTF Market of the Luxembourg Stock Exchange as promptly as practicable after the Issue Date and (ii) maintain such listing and admission to trading for so long as such Notes are outstanding; *provided* that if the Issuer is unable to obtain such listing, or if maintenance of such listing becomes unduly onerous, it will, prior to the delisting of the Notes from the Official List of the Luxembourg Stock Exchange, use its reasonable best efforts to obtain and maintain a listing of such Notes on another ''recognised stock exchange'' as defined in section 1005 of the Income Tax Act 2007 of the United Kingdom.

Events of Default

Each of the following is an ''Event of Default'' under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture 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 by New Luxco (only with respect to the covenants under the headings ''*—Certain Covenants—Impairment of Security Interests*'' and ''*—Certain Covenants—Additional Intercreditor Agreements*''), the Issuer, the Parent or any Restricted Subsidiary to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) 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 Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer 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 (i) in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates £25 million or more or (ii) such Indebtedness is incurred pursuant to clause (1) or (6) of the second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'' and secured by Collateral that is, in each case, granted super senior priority rights with respect to proceeds of enforcement of Collateral under the Intercreditor Agreement, and the Instructing Group (as defined in the Intercreditor Agreement or any Additional Intercreditor Agreement) has instructed the Security Agent to commence enforcement of Collateral with a fair market value in excess of £25 million in circumstances where the Security Agent is permitted to take enforcement action in accordance with such instructions;

(5) certain events of bankruptcy, insolvency or court protection of the Parent, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited

consolidated financial statements for the Issuer or the Parent), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer or the Parent), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of £25 million (exclusive of any amounts for which a solvent insurance company has acknowledged liability), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a fair market value in excess of £10 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer, the Parent or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable, and any such Default continues for 10 days; and

(8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee, by notice to the Issuer, or the Holders of at least 30% in principal amount of the outstanding Notes under the Indenture, by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest 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 (4) under the definition of "—*Events of Default*" 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 (4) 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 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 (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest 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. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) 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 or security 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 notice that an Event of Default is continuing;

(2) Holders of at least 30% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holder has offered the Trustee security or indemnity 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 request and the offer of such security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a 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 principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification or other security satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Indenture. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being so notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an ''*Initial Default*''), then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled ''*Certain Covenants—Reports*'' or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

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 or secured 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.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that, if any amendment, supplement, other modification or waiver will only amend, supplement or waive one series of the Notes, only the consent of a majority in aggregate principal amount of the then outstanding Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes affected, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder or, if any amendment, waiver or other modification will only amend, supplement, modify or waive one series of the Senior Secured Notes, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of such series of Notes affected, with respect to any such series of Notes held by a non-consenting Holder:

(1) reduce the principal amount of 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 Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described under ''—*Optional Redemption*'';

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to institute suit for the enforcement of any payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under ''—*Withholding Taxes*'' 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 Issuer agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all of the security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or 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);

(10) release all or substantially all of the Guarantors from their obligations under the Note Guarantees or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents:

(1) to cure any ambiguity, omission, defect, error or inconsistency;

(2) to provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) to 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 or any Restricted Subsidiary;

(4) to make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) to make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under ''—*Certain Covenants—Limitation on Indebtedness'' or ''—Limitation on Additional Guarantees*,'' to add Note Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination,

discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this ''*Description of the Notes*'' to the extent that such provision in this ''*Description of the Notes*'' was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor trustee or security agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility Agreement, in any property which is required by the Security Documents or the Revolving Credit Facility Agreement (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 in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under ''*—Certain Covenants—Impairment of Security Interest*'' is complied with; or

(10) as provided in ''*—Certain Covenants—Additional Intercreditor Agreements*.''

In formulating its decision on such matters, the Trustee shall be entitled to require and rely on such evidence as it deems necessary, 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 Notes 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 of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For purposes of determining whether Holders of the requisite aggregate principal amount of any series of Notes have taken any action under the Indenture, the aggregate principal amount of such series of Notes will be deemed to be the pound-sterling equivalent of the aggregate principal amount of such Notes as of (i) the record date in respect of such action (if a record date has been set with respect to the taking of such action) or (ii) the date the taking of such action by Holders of the requisite aggregate principal amount of such Notes has been certified to the Trustee by the Issuer (if no such record date has been set).

Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clause (3) above to add a Guarantor under the Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Indenture need only be duly authorized and executed by the Issuer and the Trustee.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding; *provided* that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which the Trustee knows are so owned shall be so disregarded.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor 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, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Restricted Subsidiaries' obligations under the covenants described under ''*Certain Covenants*'' (other than clauses (1) and (2) under ''*—Certain Covenants—Merger and Consolidation—The Issuer*'') 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 with respect to any Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under ''*—Events of Default*'' (''*covenant defeasance*'').

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its 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 such 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—The Issuer*''), (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under ''*—Events of Default*.''

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the ''*defeasance trust*'') with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in pound-sterling or pound-sterling-denominated European Government Obligations or a combination thereof sufficient 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 of the relevant Notes 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 received by the Issuer from, or published by, the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law);

(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 qualifications), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the 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 Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money or pound-sterling-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire 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; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be, *provided* that, if requested by the Issuer, the Trustee may distribute any amounts deposited in trust to the Holders prior to the maturity or the redemption date, as the case may be, and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (*provided* that such counsel may not be an employee of the Issuer or its Subsidiaries) 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 or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer, any Guarantor or New Luxco, if applicable, under the Notes 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

Citibank, N.A., London Branch is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The 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 or any Agent will be permitted to engage in other transactions with the Issuer and its 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 then outstanding Notes, or may resign at any time by giving written notice to the Issuer, and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee. Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Prescription

Claims against the Issuer, the Guarantors and New Luxco, if applicable, for the payment of principal, or premium, if any, on the Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer, any Guarantor or New Luxco, if applicable, for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Pound-Sterling-Denominated Restrictions

EUR is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with this series of Notes and the related Note Guarantees, including damages. Any amount received or recovered in a currency other than EUR (in the case of this series of Notes), 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 EUR 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 EUR amount is less than the EUR amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee 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 of a Note 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 Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note 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 any Note Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any EUR or pound sterling-denominated restriction herein, the EUR or pound-sterling equivalent amount, as applicable, for purposes hereof that is denominated in a currency other than EUR or pounds sterling, as applicable, shall be calculated based on the relevant currency exchange rate in effect on the date such non-EUR or non-pound-sterling amount, as applicable, is Incurred or made, as the case may be.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States. See ''*Risk Factors—Risks Related to Our Structure and the Financing—Each Note Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*'' and ''*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*.''

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the ''*Luxembourg Companies Act 1915*''), are excluded. No Holder may initiate proceedings against the Issuer based on article 98 of the Luxembourg Companies Act 1915. Any resolution of the Holders to amend the corporate objects of the Issuer or the form of the Issuer, to change the nationality of the Issuer and/or increasing the commitments of the shareholders of the Issuer may only be taken, and any meetings of the Holders resolving thereupon must be convened and held, in accordance with the Luxembourg Companies Act 1915 as long as any specific requirements exist in this respect in the Luxembourg Companies Act 1915 (the ''*Luxembourg Law Resolutions*''). A Luxembourg Law Resolution must be passed in accordance with the requirements of the Luxembourg Companies Act 1915. There are specific quorum requirements for Luxembourg Law Resolutions set out in the Luxembourg Companies Act 1915. Certain Luxembourg Law Resolutions passed at any meeting of the Holders will be binding on all Holders, whether or not they are present at the meeting. If there cease to be specific requirements under Luxembourg law for the above matters, the resolutions on these matters will be taken in the form of extraordinary resolutions.

Certain Definitions

''*2016 Acquisition*'' means the acquisition of certain shares and indebtedness of Tesch pursuant to the 2016 Acquisition Agreement.

''*2016 Acquisition Agreement*'' means the share purchase agreement dated August 5 and August 6, 2016 between the Vendors as the sellers and GFKL Holdco as the purchaser in relation to the acquisition of certain shares and indebtedness of Tesch.

''*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 Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

''*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 appended to the Revolving Credit Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

''*Applicable Premium*'' means the greater of:

(1) 1% of the principal amount of such Note; and

(2) as of any redemption date, the excess (to the extent positive) of:

 (a) the present value at such redemption date of (i) the redemption price of such Note at September 1, 2018 (such redemption price (expressed in percentage of principal amount) being set forth in the table under ''—*Optional Redemption*'' (excluding accrued but unpaid interest)), plus (ii) the Deemed Interest Payments due on such Note to and including such date (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

 (b) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, Registrar, Transfer Agent or any Paying Agent.

''*Asset Disposition*'' means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a ''disposition'') by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer 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, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under ''—*Certain Covenants—Merger and Consolidation*'' or a transaction that constitutes a Change of Control;

(6) an issuance or transfer of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of £5 million and 3.7% of Total Assets;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under ''—*Certain Covenants—Limitation on Restricted Payments*'' and the making of any Permitted Payment or Permitted Investment;

(9) the granting of Liens not prohibited by the covenant described above under the caption ''—*Certain Covenants—Limitation on Liens*'';

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof (including, without limitation, Put-Backs) in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing, sub-licensing, lease or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain 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) 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) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or otherwise in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer 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;

(17) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which has been or is to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided, further*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of £7 million and 5.0% of Total Assets;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Capital Stock that is permitted by the covenant described above under ''*—Certain Covenants—Limitation on Indebtedness*'' or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition are applied in accordance with the ''*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*'' covenant;

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture;

(22) a disposition of Portfolio Assets (including dispositions of Right to Collect Accounts) or inventory or other assets, in each case, in the ordinary course of business, including into a trust in favor of third parties or otherwise; and

(23) a disposition in connection with the Transactions.

''*Associate*'' means (i) any Person engaged in a Similar Business of which the Issuer 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 Issuer or any Restricted Subsidiary.

''*Board of Directors*'' means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision 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). References to ''Board of Directors of the Issuer'' shall be construed to mean ''Board of Directors'' of the Issuer or ''Board of Directors'' of the Parent, as determined from time to time by the Issuer.

''*Bund Rate*'' means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Borrower in good faith)) most nearly equal to the period from the redemption date to September 1, 2018; *provided, however*, that if the period from the redemption date to September 1, 2018 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to September 1, 2018 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

''*Business Day*'' means each day that is not a Saturday, Sunday or other day on which banking institutions in Frankfurt, Germany, Jersey, Luxembourg or London, United Kingdom are authorized or required by law to close.

''*Capital Stock*'' of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

''*Capitalized Lease Obligation*'' means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with 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.

''*Cash Equivalents*'' means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government, a member state of the European Union or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least ''A-1'' or the equivalent thereof by S&P or at least ''P-1'' or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least ''A-2'' or the equivalent thereof by S&P or ''P-2'' or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, Japan, Norway or Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of ''BBB−'' or higher from S&P or ''Baa3'' or higher from Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of ''*Asset Disposition*,'' the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

''*Change of Control*'' means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, 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 becomes the ''beneficial owner'' (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a wholly-owned Subsidiary of a Successor Parent (subject to any directors' qualifying shares or shares required by any applicable law or regulation to be held by a person other than the Issuer or another wholly-owned Subsidiary that are held by a Person other than such Successor Parent); and

(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 of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

''*Clearstream*'' means Clearstream Banking, *société anonyme*, as currently in effect, or any successor securities clearing agency.

''*Collateral*'' means any and all assets from time to time in which a security interest has been granted pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Note Guarantee.

''*Compartments*'' means, under the Luxembourg Securitization Law of 22 March 2004, as amended or any other similar law, one or more independent parts of such Person's estate distinguishable from the rest of the Person's estate by the nature of assets or liabilities relating to such independent part of such Person and each such independent part of such Person corresponding to a separate part of the assets and liabilities of the Person, created to allow for the management of asset portfolios separate from the remaining assets of such Person. The terms and conditions of the securities issued within a Compartment, as well as the specific objectives of the respective Compartment, are defined by the board of directors and set forth in the articles of association of such Person, the terms and conditions of such securities and other agreements, if any, entered by the Person in connection with such Compartment, and where (A) creditors of such Compartment are limited to the assets of that Compartment, (B) the assets and liabilities, investments and obligations of a Compartment are exclusively available to satisfy the claims of holders of securities issued within that Compartment, as well as of creditors, whose claims have arisen or will arise in connection with the creation, operation or liquidation of the respective Compartment, and (C) in the relationship of the holders between each other, each Compartment shall be treated as a separate entity.

''*Consolidated EBITDA*'' for any period means, without duplication, the Consolidated Net Income for such period, plus any amortization of Portfolio Assets during such period (for the avoidance of doubt, amortization of Portfolio Assets includes the difference between collections and revenue recognized in the consolidated income statement as income from Portfolio Assets), plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization (excluding amortization of a prepaid cash charge or expense that was paid in a prior period) or impairment expense;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, 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 and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the GFKL Acquisition, the Lowell Acquisition or the Transactions (including any expenses in connection

with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(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, except to the extent of dividends declared or paid on, or other cash payments in respect of, equity interests held by such third parties;

(7) the amount of management, monitoring, consulting 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*'';

(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 expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or non-recurring items less other non-cash items of income increasing Consolidated Net Income (other than non-cash items increasing Consolidated Net Income pursuant to clauses (1) to (13) 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 expected to be paid in any future period);

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(11) any Receivables Fees and discounts on the sale of accounts receivable in connection with any Qualified Receivables Financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; and

(12) any amount corresponding to any revaluation of Portfolio Assets, as determined in good faith by the Board of Directors or an Officer of the Issuer (to the extent not duplicated with any non-cash charges set forth in clause (8) hereof).

''*Consolidated Income Taxes*'' means Taxes or other payments, including deferred taxes, based on income, profits or capital of any of the Issuer 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 net interest income/expense of the Issuer 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 original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Restricted Subsidiary, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period (but excluding such interest on Subordinated Shareholder Funding);

(7) cash interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person; and

(8) interest accrued on any Indebtedness of a Parent that is Guaranteed by the Issuer or any Restricted Subsidiary to the extent (x) serviced directly or indirectly by the Issuer or any Restricted Subsidiary and (y) not already included in calculating Consolidated Interest Expense;

minus (i) accretion or accrual of discounted liabilities other than Indebtedness and (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, in each case, to the extent included in interest expense under IFRS.

''*Consolidated Leverage*'' means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by the Issuer)).

''*Consolidated Leverage Ratio*'' means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the ''*Calculation Date*''), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided, however*, that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under ''*—Certain Covenants—Limitation on Indebtedness*'' or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under ''*—Certain Covenants—Limitation on Indebtedness*'';

In addition, for purposes of calculating the Consolidated Leverage Ratio:

(1) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period; *provided*, that the *pro forma* calculation may give effect to anticipated acquisitions which have not yet occurred but which have become subject to a definitive purchase agreement or contract, where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part and such Indebtedness, if Incurred prior to the completion of any such acquisition, is funded into escrow and released to the Issuer or any Restricted Subsidiary only in connection with the completion of such acquisition;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but

only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS.

''*Consolidated Net Income*'' means, for any period, the net income (loss) of the Issuer 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 (2) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer of the Issuer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under ''*—Certain Covenants—Limitation on Restricted Payments*,'' any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer 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 the Notes, the Indenture, the Existing Senior Notes issued under the Existing Senior Notes Indenture, the Existing Senior Notes Indenture, the Existing Senior Secured Notes and the Existing Senior Secured Notes Indentures, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility Agreement or the Intercreditor Agreement) and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions permitted under the second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*,'' except that the Issuer'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 Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than a Guarantor), to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale and lease-back transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions, the GFKL Acquisition, the Lowell Acquisition or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or

post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity-based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under ''*—Certain Covenants—Limitation on Restricted Payments*'';

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or 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 or other obligations of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring 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 Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions, the GFKL Acquisition or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;

(12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

''*Consolidated Senior Secured Leverage*'' means the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer)).

''*Consolidated Senior Secured Leverage Ratio*'' means, as of any date of determination, the ratio of (x) the Consolidated Senior Secured Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Leverage Ratio.

''*Contingent Obligations*'' means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (''*primary obligations*'') of any other Person (the ''*primary obligor*''), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds: (a) for the purchase or payment of any such primary obligation; or (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

''*Credit Facility*'' means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or any other commercial paper facilities and overdraft facilities) with banks, 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), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any note Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term ''Credit Facility'' shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer 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.

''*Deemed Interest Payments*'' means the amount of interest payments, as determined in good faith by the Issuer as of the relevant date, using the interest rate in effect in respect of such Notes as at the date of giving the notice of redemption.

''*Designated Non-Cash Consideration*'' means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer 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 Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as ''Designated Preference Shares'' pursuant to an Officer's Certificate of the Issuer 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 any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption ''*—Certain Covenants—Restricted Payments*.'' For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. 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.

''*Equity Offering*'' means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions or a Parent Debt Contribution) of the Issuer 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 Issuer and its Restricted Subsidiaries from all Portfolio Assets owned by the Issuer and its Restricted Subsidiaries during the period of 84 months, as calculated by the Portfolio ERC Model, as at the last day of the month most recently ended prior to the date of calculation; *provided* that *pro forma* effect may be given to any acquisition under the conditions, *mutatis mutandis*, set forth under clause (1) of the second paragraph of the definition ''Consolidated Leverage Ratio.''

''*Escrowed Proceeds*'' means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term ''Escrowed Proceeds'' shall include any interest earned on the amounts held in escrow.

''*Euroclear*'' means Euroclear Bank SA/NV, as currently in effect, or any successor securities clearing agency.

''*European Government Obligations*'' means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated ''A-1'' or higher by Moody's or ''A+'' or higher by S&P or the equivalent rating category of another internationally recognized Rating Agency on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

''*European Union*'' means the European Union as of the Original Issue Date except for purposes of the definition of IFRS.

''*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 Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer 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 Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer substantially concurrently with the contribution and not constituting a Parent Debt Contribution.

“*Existing 2021 Euro Notes*” means the €405 million aggregate principal amount of Floating Rate Senior Secured Notes due 2021 issued by the Issuer pursuant to the Existing 2021 Euro Indenture.

“*Existing 2021 Euro Notes Indenture*” means the indenture dated September 28, 2016, governing the Existing 2021 Euro Notes by and among, *inter alios*, the Issuer, Lowell Holding and Citibank, N.A., London Branch, as trustee.

“*Existing 2022 Euro Notes*” means the €365 million aggregate principal amount of 7.500% Senior Secured Notes due 2022 issued by the Issuer on July 23, 2015, pursuant to the Existing 2022 Euro Notes Indenture.

“*Existing 2022 Euro Notes Indenture*” means the indenture dated July 23, 2015, governing the Existing 2022 Euro Notes by and among, *inter alios*, the Issuer, Lowell Holding and Citibank, N.A., London Branch, as trustee.

“*Existing 2022 Sterling Notes*” means the £565 million aggregate principal amount of 8.5% Senior Secured Notes due 2022 issued by the Issuer on October 19, 2015, pursuant to the Existing 2022 Sterling Notes Indenture.

“*Existing 2022 Sterling Notes Indenture*” means the indenture dated October 19, 2015, governing the Existing 2022 Sterling Notes by and among, inter alios, the Issuer, Lowell Holding and Citibank, N.A., London Branch, as trustee.

“*Existing Indentures*” means the Existing Senior Secured Notes Indentures and the Existing Senior Notes Indenture.

“*Existing Notes*” means the Existing Senior Secured Notes and the Existing Senior Notes.

“*Existing Senior Notes*” means the £230 million aggregate principal amount of 11.0% Senior Notes due 2022 issued by Holdco on October 19, 2015, pursuant to the Existing Senior Notes Indenture.

“*Existing Senior Notes Indenture*” means the indenture dated October 19, 2015, governing the Existing Senior Notes by and among, *inter alios*, Holdco, Lowell Holding and Citibank, N.A., London Branch, as trustee.

“*Existing Senior Secured Notes*” means, collectively, the Existing 2021 Euro Notes (until such Existing 2021 Euro Notes are satisfied and discharged in connection with the Transactions), the Existing 2022 Euro Notes and the Existing 2022 Sterling Notes.

“*Existing Senior Secured Notes Indentures*” means, collectively, the Existing 2021 Euro Notes Indenture (until the Existing 2021 Euro Notes are repaid in connection with the Transactions), the Existing 2022 Euro Notes Indenture and the Existing 2022 Sterling Notes Indenture.

“*fair market value*” wherever such term is used in this “*Description of the Notes*” or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this “*Description of the Notes*” or the Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“*Fixed Charge Coverage Ratio*” means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “*Calculation Date*”), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'' (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*.''

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, as if they had occurred on the first day of the four-quarter reference period; *provided*, that the *pro forma* calculation may give effect to anticipated acquisitions which have not yet occurred but which have become subject to a definitive purchase agreement or contract, where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part and such Indebtedness, if Incurred prior to the completion of any such acquisition, is funded into escrow and released to the Issuer or any Restricted Subsidiary only in connection with the completion of such acquisition;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from such disposition, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) 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 Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness) and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS; and

(7) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

''*Fixed Charges*'' means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

‘‘*GFKL Acquisition*’’ means the acquisition by Lowell Holding of Carl Holding GmbH (prior to its merger into Lowell Holding), including the acquisition of additional shares in GFKL Holdco in the Squeeze Out;

‘‘*GFKL Group*’’ means GFKL Holdco and its Subsidiaries from time to time.

‘‘*GFKL Holdco*’’ means GFKL Financial Services GmbH.

‘‘*Guarantee*’’ means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term ‘‘Guarantee’’ will not include endorsements for collection or deposit in the ordinary course of business. The term ‘‘Guarantee’’ used as a verb has a corresponding meaning.

‘‘*Guarantors*’’ means the Initial Guarantors and any Restricted Subsidiary that Guarantees the Notes.

‘‘*Hedging Obligations*’’ of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

‘‘*Holder*’’ means each Person in whose name the Notes are registered on the Registrar’s books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

‘‘*Holding Company*’’ means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

‘‘*IFRS*’’ means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect from time to time; *provided* that at any date after the Issue Date the Issuer may make an irrevocable election to establish that ‘‘IFRS’’ shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election.

‘‘*Incur*’’ means issue, create, assume, enter into any Guarantee of, incur 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, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent 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;

(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 Board of Directors or an Officer of the Issuer) 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;

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term ''*Indebtedness*'' shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any asset retirement obligations, or (v) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9)) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS. Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) in connection with the purchase by the Issuer 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;

(3) any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes or under any Tax Sharing Agreement;

(4) any accrued expenses and trade payables; and

(5) the Squeeze Out Guarantee.

''*Independent Financial Advisor*'' means an investment banking or accounting firm of international standing or any third-party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means (a) Permira V Funds, any Affiliate of the Permira V Funds (other than any controlling limited partner of the Permira V Funds, if any, and any Subsidiary of such controlling limited partner, in each case to the extent not itself a member of the Permira Group) and any funds or partnerships managed or advised (directly or indirectly) by Permira V G.P. Limited or an Affiliate thereof (other than any controlling shareholder of Permira V G.P. Limited, if any, and any Subsidiary of such controlling shareholder, in each case, to the extent not itself a member of the Permira Group) or an entity controlled by all or substantially all of the managing directors of such fund, and, solely in their capacity as such, any limited partner of any such partnership or fund; *provided* that any portfolio company of the foregoing, other than entities of which the Permira V Funds beneficially owns in the aggregate a majority (or more) of the Voting Stock and which are established to solely hold, directly or indirectly, interests in the Issuer shall not constitute an "Initial Investor" and (b) 1920297 Ontario Limited, a Subsidiary of OTPP.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated June 29, 2015, by and among, *inter alios*, the Issuer, Lowell Holding and the Security Agent, as amended from time to time, to which the Trustee will accede on the Issue Date.

"*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 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 Right to Collect Accounts or debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) 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 Issuer 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 Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*."

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Issuer'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; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

''*Investment Grade Securities*'' means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of ''BBB−'' or higher from S&P or ''Baa3'' 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 Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

''*Investment Grade Status*'' shall occur when all of 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 Ratings Organization.

''*IPO 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 at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

''*Issue Date*'' means September 20, 2017.

''*Lien*'' means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

''*Lowell Acquisition*'' means the acquisition of the shares (except T-Shares) of Metis Bidco Limited by Simon Bidco pursuant to a sale and purchase agreement dated August 7, 2015 between, *inter alios*, the previous majority shareholder of Lowell and Simon Bidco and a share purchase agreement dated August 7, 2015 between, *inter alios*, certain employee shareholders of Lowell and Simon Bidco, and the subsequent acquisition of the T-Shares pursuant to the Squeeze Out.

''*Lowell Holding*'' means Lowell Holding GmbH (previously Garfunkel Holding GmbH).

''*Management Advances*'' means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving-related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this subclause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding £7.5 million in the aggregate outstanding at any time.

''*Management Investors*'' means (i) members of the management team of the Issuer or any Restricted Subsidiary investing, or committing to invest, directly or indirectly, in the Issuer as at the Issue Date and any subsequent members of the management team of the Issuer or any Restricted Subsidiary who invest directly or indirectly in the Issuer from time to time; and (ii) such entity as may hold shares transferred by departing members of the management team of the Issuer or any Restricted Subsidiary for future redistribution to such management team.

"*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.

"*Metis Holdco*" means Metis Holdco Limited, a company incorporated in England and Wales with company number 07652402.

"*Milla Securitization*" means the securitization program by which GFKL Holdco, Proceed Collection Services GmbH and INKASSO BECKER WUPPERTAL GmbH & Co. KG sold certain non-performing loans to Milla Securitisation (No. 1) Limited, a special purpose company established in Jersey.

"*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) (a) other than for purposes of the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*", 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 must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or (b) by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer 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 Issuer or any Restricted Subsidiary after such Asset Disposition, including pension and other post-employment benefits liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such transaction.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*New Luxco*" means Garfunkelux PBA S.à r.l., a private limited company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Luxembourg and registered with the RCS Register under the number B 200.498 that is an Affiliate of the Issuer and its successors and assigns.

"*Notes*" means the Notes issued on the Issue Date and any Additional Notes.

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

‘‘*Note Guarantee*’’ means the guarantee by each Guarantor of the Issuer’s obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

‘‘*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, any *Prokurist* (in accordance with the terms of its *Prokura*) 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. References to ‘‘Officer of the Issuer’’ shall be construed to mean ‘‘Officer’’ of the Issuer or ‘‘Officer’’ of the Parent, as determined by the Issuer from time to time.

‘‘*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 Issuer or its Subsidiaries.

‘‘*Original Issue Date*’’ means July 23, 2015.

‘‘*OTPP*’’ means the Ontario Teachers’ Pension Plan Board.

‘‘*Parent*’’ means, as of the Issue Date, Garfunkelux Holdco 2 S.A. and its successors and assigns, or any Person of which the Issuer 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 Parent.

‘‘*Parent Debt Contribution*’’ means a contribution to the equity of the Issuer or any of its Restricted Subsidiaries or the issuance or sale of Subordinated Shareholder Funding of the Issuer pursuant to which dividends or distributions may be paid pursuant to clause (19) of the third paragraph under ‘‘*—Limitation on Restricted Payments*.’’

‘‘*Parent Expenses*’’ means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Restricted Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions or the GFKL Acquisition;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent’s corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out-of-pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or the GFKL Acquisition, the Lowell Acquisition or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed £3 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its

Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided, however*, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its Subsidiaries would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries;

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness; (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary; (b) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(9) costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

''*Pari Passu Indebtedness*'' means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

''*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.

''*Permira Group*'' means Permira Holdings Limited or any of its Subsidiaries or any funds managed or controlled by Permira Holdings Limited or any of its Affiliates (other than any controlling limited partner of Permira Holdings Limited, if any, and any Subsidiary of such controlling limited partner).

''*Permira V Fund*'' means each of the following:

(1) Permira LP1 and P5 Sub L.P.1, each a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(2) Permira V L.P.2, a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(3) Permira Investments Limited, acting by its nominee Permira Nominees Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(4) P5 Co-Investment L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(5) P5 CIS S.à r.l., a private limited liability company organized under the laws of Luxembourg, registered with the Luxembourg Trade and Companies Register with number B 178 072, having its registered office at 488, route de Longwy, L-1940 Luxembourg; and

(6) Permira V I.A.S L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands.

''*Permitted Collateral Liens*'' means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of ''Permitted Liens'' and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(b) to secure:

(i) the Notes (other than any Additional Notes) and any related Note Guarantees;

(ii) the Existing Notes and any related Guarantees;

(iii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under ''—*Certain Covenants—Limitation on Indebtedness*'';

(iv) Indebtedness described under clause (1) of ''—*Permitted Debt*,'' which Indebtedness may have super senior priority status in respect of the proceeds from the enforcement of the Collateral, not materially less favorable to the Holders than that accorded to the Revolving Credit Facility pursuant to the Intercreditor Agreement as in effect on the Issue Date;

(v) Indebtedness described under clause (2) of ''—*Permitted Debt*,'' to the extent Incurred by the Issuer or a Guarantor and to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(vi) Indebtedness described under clause (5) of ''—*Permitted Debt*'' and that is Incurred by the Issuer or a Guarantor; *provided* that, at the time of the acquisition or other transaction pursuant to which such Indebtedness was Incurred and after giving effect to the Incurrence of such Indebtedness on a *pro forma* basis, (a) the Issuer would have been able to Incur £1.00 of additional Senior Secured Indebtedness pursuant to clause (2) of the first paragraph of the covenant entitled ''—*Limitation on Indebtedness*'' or (b) the Consolidated Senior Secured Leverage Ratio for the Issuer and the Restricted Subsidiaries would not be greater than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction and to the Incurrence of such Indebtedness;

(vii) Indebtedness described under clause (6) of ''—*Permitted Debt*'' and Hedging Obligations in connection with any Senior Notes; *provided* that to the extent permitted by the Intercreditor Agreement, Hedging Obligations Incurred in compliance with the covenant entitled ''—*Limitation on Indebtedness*'' that are not subordinated in right of payment to the Notes may have super senior priority status in respect of the proceeds from the enforcement of the Collateral, not materially less favorable to the Holders than that accorded to the Revolving Credit Facility pursuant to the Intercreditor Agreement as in effect on the Issue Date;

(viii) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of ''—*Permitted Debt*'', in the case of clauses (7) and (11), of the Issuer or a Restricted Subsidiary, and in the case of clause (13), of the Issuer or a Guarantor; *provided* that for Indebtedness Incurred pursuant to clause (13) thereof, at the time of the transaction pursuant to which such Indebtedness was Incurred and after giving effect to the Incurrence of such Indebtedness on a *pro forma* basis, the Issuer would have been able to Incur £1.00 of additional Senior Secured Indebtedness pursuant to clause (2) of the first paragraph of the covenant entitled ''—*Limitation on Indebtedness*'';

(ix) solely with respect to Collateral securing any Senior Notes or Guarantees in respect thereof, Indebtedness issued or borrowed by any issuer of Senior Notes and the Guarantees in respect thereof; *provided* that such Liens rank junior to the Liens on the same Collateral securing the Notes and the Note Guarantees; and

(x) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (ix);

provided, further, that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided, further* that subject to the Agreed Security Principles (but without regard to any Agreed Security Principles limiting the types of assets that may be pledged to secure the Notes and the Notes Guarantees under the Indenture), all property and assets (including, without limitation, the Collateral) of the Issuer or any Restricted Subsidiary securing such Indebtedness (including any Guarantees thereof) or Refinancing Indebtedness secure the Notes and related Note Guarantees and the Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (iv) and (vii) above.

''*Permitted Holders*'' means, collectively (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clauses (1) and (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing or any Persons mentioned in the following sentence are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively have exclusive legal and beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies owned by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

''*Permitted Investment*'' means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person 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 of its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and Investments in connection with any Qualified Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement, including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with ''*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*'';

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Currency Agreements and Interest Rate Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with ''*—Certain Covenants—Limitation on Indebtedness*'';

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of £14 million and 9.9% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under ''*—Certain Covenants—Limitation on Restricted Payments*,'' such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of ''Permitted Investments'' and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of ''Permitted Liens'' or made in connection with Liens permitted under the covenant described under ''*—Certain Covenants—Limitation on Liens*'';

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Affiliate Transactions*'' (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(15) Guarantees not prohibited by the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'' and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in loans under the Revolving Credit Facility, in the Notes and any Additional Notes or in any other Indebtedness of the Issuer and its Restricted Subsidiaries;

(17) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption ''*—Certain Covenants—Merger and Consolidation*'' to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(18) Investments of cash held on behalf of merchants or other business counterparties in the ordinary course of business in bank deposits, time deposit accounts, certificates of deposit, bankers' acceptances, money market deposits, money market deposit accounts, bills of exchange, commercial paper, governmental obligations, investment funds, money market funds or other securities;

(19) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in each case, in the ordinary course of business and in accordance with the Indenture;

(20) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers' compensation, performance and other similar deposits, in each case, in the ordinary course of business; and

(21) any Investment in connection with the Squeeze Out.

''*Permitted Liens*'' means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted by the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'';

(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 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 similar 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, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness permitted to be Incurred 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 Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under ''*—Certain Covenants—Limitation on Indebtedness*'' and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions or customary standard terms relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from New York Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer 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 Issuer 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 Issuer or any Restricted Subsidiary); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, 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 any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;

(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 interest, 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 Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens created or arising in connection with a Qualified Receivables Financing;

(22) (a) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) Liens on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities pre-fund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(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 liens over cash accounts and receivables securing cash pooling or cash management arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of ''Cash Equivalents'' in connection with the disposal thereof to a third party;

(27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Indenture, the Existing Senior Notes Indenture and the Existing Senior Secured Notes Indentures, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and (d) Liens securing Indebtedness incurred under clause (1) of the second paragraph of the covenant entitled ''—*Limitation on Indebtedness*'', in each case to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Notes;

(29) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed the greater of £30 million and 7.0% of Total Assets;

(30) Liens on receivables securing Indebtedness described under clause (12) of ''—*Permitted Debt*'';

(31) Liens securing Indebtedness described under clause (14) of ''—*Permitted Debt*'';

(32) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities (*Altersteilzeitverpflichtungen*) incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code (''*SGB IV*'');

(33) Liens incurred in connection with the Squeeze Out Guarantee; and

(34) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (33); *provided* that any such extension, renewal or replacement shall not extend in any material respect to any additional property or assets.

''*Permitted Reorganization*'' means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith (a ''*Reorganization*'') that is made on a solvent basis (including, for the avoidance of doubt, the merger of GFKL Holdco and Lowell Holding (the ''*GFKL Merger*'')); *provided* that: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral and (d) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise as a result of such Reorganization (except in connection with the GFKL Merger).

''*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 (in each case, that is purchased by, acquired by or otherwise transferred from a third-party to, the Issuer or any of its Restricted Subsidiaries pursuant to a purchase agreement or any other sale agreement) in which the Issuer and its Restricted Subsidiaries or any Receivables Subsidiary has either a direct beneficial ownership interest or a direct beneficial ownership interest and legal ownership (whether such direct ownership is in whole or in part; *provided* that partially owned Portfolio Assets will be recognized to the extent owned) and (b) Right to Collect Accounts.

''*Portfolio ERC Model*'' means the models and methodologies that the Issuer uses to calculate the value of its ERC and those of its Subsidiaries, consistently with the calculations used in this Offering Memorandum or, if the Issuer includes ERC in its financial statements, with the most recent published financial statements of the Issuer, the Parent or GFKL Holdco, as applicable, 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.

''*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 investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

''*Public Market*'' means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of £100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

''*Public Offering*'' means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A 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.

''*Put-Backs*'' means Underlying Portfolio Assets that differ from the characteristics specified in the purchase contract thereof and that we consequently sell back at the purchase price or, depending on the contractual arrangement, at a subsequently negotiated price.

''*Qualified Receivables Financing*'' means any Receivables Financing that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) is non-recourse to the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) except to the extent of any Standard Securitization Undertaking; *provided* that, for the avoidance of doubt, the term Qualified Receivables Financing shall include the Milla Securitization.

''*Rating Agencies*'' means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other ''nationally recognized statistical rating organization'' within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency.

''*Receivable*'' means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit.

''*Receivables Assets*'' means any Receivables of the Issuer or any of its Subsidiaries or any Compartment of a Subsidiary of the Issuer, and any assets related thereto, including all collateral securing such Receivable, all contracts and all guarantees or other obligations in respect of such Receivable, proceeds collected on such Receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions and any related Hedging Obligations, in each case, whether now existing or arising in the future.

''*Receivables Fees*'' means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Financing.

''*Receivables Financing*'' means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries or a Compartment of a Subsidiary of the Issuer pursuant to which the Issuer or any of its Subsidiaries (i) may sell, convey or otherwise transfer (which, for the avoidance of doubt, shall include any synthetic transfer) any Receivables Assets to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries) or (b) any other Person (in the case of a transfer by a Receivables Subsidiary) or (ii) may grant a security interest in any Receivables Assets.

''*Receivables Repurchase Obligation*'' means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase Receivables Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

''*Receivables Subsidiary*'' means a Subsidiary or a Compartment of a Subsidiary of the Issuer or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer or any of its Subsidiaries or any Compartment of a Subsidiary of the Issuer, in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets, which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant

to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

''*refinance*'' means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms ''*refinances*,'' ''*refinanced*'' and ''*refinancing*'' as used for any purpose in the Indenture shall have a correlative meaning.

''*Refinancing Indebtedness*'' means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the maturity date 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 being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, further, however, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

''*Related Person*'' with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or controlling partner or controlling member of such Person; or

(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; or

(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) 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,

provided, however, that a Related Person with respect to any Permitted Holder shall not include (x) a controlling partner, member, interest holder, equity holder or limited partner of the Permira V Funds, if any, and any Subsidiary of such controlling partner, member, interest holder, equity holder or limited partner, in each case to the extent not itself a member of the Permira Group and (y) any controlling partner, member, interest holder, equity holder or shareholder of Permira V G.P. Limited, if any, and any Subsidiary of such controlling partner, member, interest holder, equity holder or shareholder, in each case to the extent not itself a member of the Permira Group.

''*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 imposed on payments made by any Parent), required to be paid (provided such taxes are in fact paid) by any Parent by virtue of its:

 (a) being incorporated or otherwise being established 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 Issuer or any Restricted Subsidiary);

 (b) issuing or holding Subordinated Shareholder Funding;

 (c) being a holding company parent, directly or indirectly, of the Issuer or any Restricted Subsidiary;

 (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Restricted Subsidiary; or

 (e) having made or received any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to ''*—Certain Covenants—Limitation on Restricted Payments*;'' or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Restricted Subsidiaries.

''*Replacement Assets*'' means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries as of the Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are related thereto.

''*Representative*'' means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

''*Reserved Cash*'' means the consolidated total cash of the Issuer and its Restricted Subsidiaries that is shown on the balance sheet as earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts.

''*Restricted Investment*'' means any Investment other than a Permitted Investment.

''*Restricted Subsidiary*'' means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

''*Revolving Credit Facility*'' means the revolving credit facility made available pursuant to the Revolving Credit Facility Agreement.

''*Revolving Credit Facility Agreement*'' means the super senior revolving facility agreement dated June 29, 2015, among Lowell Holding, as borrower, the Issuer, as a guarantor, and certain financial institutions, as amended pursuant to the amendment and restatement agreement dated August 18, 2015, among, *inter alios*, the Issuer, the Parent, Simon Bidco, Simon Midco, Simon Holdco, Citibank, N.A., London Branch, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG and JPMorgan Chase Bank N.A., London Branch, as described in ''*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*,'' as amended from time to time.

''*Right to Collect Account*'' means an Underlying Portfolio Asset that is owned by a Person that is not the Issuer or one of its Restricted Subsidiaries (a ''Third Party'') and in respect of which (a) such Third Party is unable or unwilling to dispose of the relevant Underlying Portfolio Asset to the Issuer or a Restricted Subsidiary; and (b) the Issuer or a Restricted Subsidiary is entitled to collect and retain substantially all of the amounts due under such Underlying Portfolio Asset or to receive amounts equivalent thereto.

''*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 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.

''*Senior Notes*'' means any Indebtedness of the direct parent of the Issuer designated as ''Permitted Senior Financing Debt'' under the Intercreditor Agreement or any Additional Intercreditor Agreement, including the Existing Senior Notes.

''*Senior Proceeds Loan*'' means the loan made under the loan agreement entered into October 13, 2015 between the Parent, as lender, and the Issuer, as borrower, pursuant to which the Parent loaned the aggregate principal amount of the Existing Senior Notes to the Issuer.

''*Senior Secured Indebtedness*'' means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is secured by a first-priority Lien on the Collateral and that is Incurred under the first paragraph of the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'' or clauses (1), (4)(a), (4)(b), 4(c), (5), (7), (11), (13) or (14) of the second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'' and any Refinancing Indebtedness in respect thereof that is secured by a first priority Lien on the Collateral.

''*Significant Subsidiary*'' means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets (excluding Reserved Cash) of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets (excluding Reserved Cash) of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer 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 Issuer or any of its Restricted Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

''*Simon Bidco*'' means the entity incorporated under the laws of England and Wales that is a direct Subsidiary of Simon Midco as of the Issue Date and its successors and assigns.

''*Simon Holdco*'' means the entity incorporated under the laws of Jersey that is a direct Subsidiary of the Issuer as of the Issue Date and its successors and assigns.

''*Simon Midco*'' means the entity incorporated under the laws of England and Wales that is a direct Subsidiary of Simon Holdco as of the Issue Date and its successors and assigns.

‘‘*Special Purpose Vehicle*’’ means an entity established by any Parent for the purpose of maintaining an equity incentive or compensation plan for Management Investors.

‘‘*Squeeze Out*’’ refers to the acquisition of the ordinary shares of GFKL Financial Services AG from the minority shareholders.

‘‘*Squeeze Out Guarantee*’’ means a guarantee issued in compliance with, and in the form required by, section 327b(3) of the German Stock Corporation Act (*AktG*).

‘‘*Standard Securitization Undertakings*’’ means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

‘‘*Stated Maturity*’’ means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in ‘‘*—Change of Control*’’ and the covenant under ‘‘*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,’’ to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

‘‘*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 or any Note Guarantee pursuant to a written agreement, including the Guarantees of any Senior Notes.

‘‘*Subordinated Shareholder Funding*’’ means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent 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 any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to six months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to six months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(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 six months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, 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 or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the ‘‘Holdco Liabilities’’ (as defined therein).

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which: (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise; and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Subsidiary Guarantor*" means a Guarantor that is a Restricted Subsidiary of the Issuer.

"*Successor Parent*" with respect to any Person means any other Person 100% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) 100% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*T-Shares*" means shares or beneficiary units with nominal economic rights held by New Luxco, as described in this Offering Memorandum.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent 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 and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in: (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Japan, Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Revolving Credit Facility; (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-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-3" 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 Issuer or any of its Subsidiaries) with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state, Japan, Switzerland or Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds (a) 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, or (b) rated "AAA" by S&P or "Aaa" 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).

"*Tesch*" means DC Holding GmbH, a limited liability company incorporated under the laws of Germany, registered in the Commercial Register of the local court of Cologne under HRB 76434.

"*Tesch Group*" means Tesch and its direct and indirect subsidiaries.

"*Total Assets*" means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the balance sheet of such Person prepared on the basis of IFRS, and may give *pro forma* effect to any acquisition under the conditions, *mutatis mutandis*, set forth under clause (1) of the second paragraph of the definition of "Consolidated Leverage Ratio"; *provided* that such Total Assets shall not include any amount of Reserved Cash.

"*Transactions*" has the meaning assigned to such term in this Offering Memorandum under the heading "*Summary—The Transactions*."

"*U.K. Government Securities*" 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.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Underlying Portfolio Asset*" means performing, sub-performing, non-performing or charged-off accounts, loans, receivables, mortgages, debentures, notes, claims and other similar assets or instruments (in each case, however pooled, aggregated, fractionally owned or contractually divided).

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (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) 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 Issuer or any other Subsidiary of the Issuer 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 Issuer in such Subsidiary comply with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer 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 Issuer could Incur at least £1.00 of additional Indebtedness under clause (1) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio 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 shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the ''**Rule 144A Global Notes**''). The Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. 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 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.

Ownership of interests in the Rule 144A Global Notes (the ''**Rule 144A Book-Entry Interests**'') and ownership of interests 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 depositories. Except under the limited circumstances described below, the Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained 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 those securities in definitive form. The foregoing limitations may impair your 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 have the Notes registered in their name, will not have received physical delivery of the Notes in certificated form and will not be considered the registered owners or ''Holders'' of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither we nor the Trustee nor any of our or their agents will have any responsibility, or be liable, for any aspect of the records, or for payments made, relating to the Book-Entry Interests.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or 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, each of Euroclear and Clearstream, at the request of the holders of the Notes, reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the ''**Definitive Registered Notes**''), and to distribute such Definitive Registered Notes to their participants.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(1) 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

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture.

Euroclear and Clearstream have advised the Issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the Issuer issues or causes to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event described in clauses (1) and (2), the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee or an authenticating agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, Trustee or Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for expenses 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.

To the extent permitted by law, the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Registrar, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

Redemption of Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them 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 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 its Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided*, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent. The Paying Agent will, in turn make said payments to the common depositary or its nominee for Euroclear and Clearstream. Euroclear and/or Clearstream will distribute such payments to participants in accordance with their respective customary 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 for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding to 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, the Trustee, the Security Agent, the Registrar, the Transfer Agent and the Paying Agent will treat the registered holders of the Global Notes (for example, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Security Agent, the Registrar, the Transfer Agent and the Paying Agent or any of 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 or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

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 relevant Global Notes will be paid to holders of interests to such Notes through Euroclear and/or Clearstream in euro.

Transfers

Transfers between participants in Euroclear and/or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the relevant Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear 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.*''

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such 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).

Through and including the 40th day after the later of the commencement of the Offering and the closing of the Offering (the ''**40-day Period**''), Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A 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 to a person who the transferor reasonably believes is a Qualified Purchaser as defined under the Investment Company Act who is also a ''qualified institutional buyer'' within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under ''*Transfer Restrictions*'' and in accordance with any applicable securities laws of any other jurisdiction.

After the expiration of the 40-day Period, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest without compliance with these certification requirements.

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.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under ''*Description of the Notes—Transfers*'' and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See ''*Transfer Restrictions*.''

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.

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 the settlement system are controlled by the settlement system and may be changed at any time. Neither we nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understand 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 participants through electronic book-entry changes in the 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 custodial relationship with a Euroclear and 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 and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive 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 Rule 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 LuxSE and admitted for trading on the LuxSE's Euro MTF Market. The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under ''*Listing and General Information—Clearing Information*.'' Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's 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, 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 Security Agent, the Registrar, the Transfer Agent or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their 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 euro. 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 of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and 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.

TAXATION

Certain German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect.

The law as currently in effect provides for a reduced tax rate for certain investment income. There is an on-going discussion in Germany whether the reduced tax rate should be increased or abolished altogether so that investment income would be taxed at regular rates. It is still unclear, whether, how and when the current discussion may result in any legislative changes.

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSAL OF THE NOTES, INCLUDING THE EFFECT OF ANY STATE, LOCAL OR CHURCH TAXES, UNDER THE TAX LAWS OF GERMANY AND ANY COUNTRY OF WHICH THEY ARE RESIDENT OR WHOSE TAX LAWS APPLY TO THEM FOR OTHER REASONS.

Withholding Tax

For German tax residents (*i.e.* persons whose residence, habitual abode, statutory seat or place of effective management and control is located in Germany), interest payments will be subject to German withholding tax (*Kapitalertragssteuer*) if the Notes are held in custody with or administrated by a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a ''**Disbursing Agent**''*, auszahlende Stelle*). The withholding tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). For individual holders of Notes subject to church tax, an electronic information system for church withholding tax purposes applies, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the holders will be assessed for church tax.

The same treatment applies to capital gains (*i.e.*, the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) and interest accrued on the Notes (''**Accrued Interest**,'' *Stückzinsen*) derived by an individual holder who is a German tax resident irrespective of any holding period provided that the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If interest coupons or interest claims are disposed of separately (*i.e.*, without the Notes), the proceeds from the disposition are subject to withholding tax. The same also applies to proceeds from the redemption of interest coupons or collection of interest claims if the Notes have been disposed of separately.

To the extent that the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon their disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (plus Accrued Interest, if any), unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Union, the European Economic Area or certain other countries in accordance with Article 17 (2) of the Council Directive 2003/48/EC dated June 3, 2003 on the Taxation of Savings Income in the form of interest payments (the ''**EU Savings Directive**'') (*e.g.*, Switzerland or Andorra). If the withholding tax on a disposal, redemption, repayment or assignment of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than from the actual gain), a German tax resident individual holder may, and in case the actual gain is higher than 30% of the disposal proceeds must, also apply for an assessment on the basis of its actual acquisition costs.

In computing any German withholding tax, the Disbursing Agent generally deducts from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (*e.g*., losses from the sale of other capital investments with the exception of shares).

The Disbursing Agent also deducts Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent credits foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax authorities.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax authorities) while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same may apply where the Notes form part of a trade or business (of an individual or of a commercial partnership) subject to further requirements being met.

Non-residents of Germany are, in general, not subject to German withholding tax on investment income and the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as outlined below under ''—*Taxation of Current Income and Capital Gains—Non-Tax Residents*'') and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty (*Doppelbesteuerungsabkommen*).

Taxation of Current Income and Capital Gains

Tax Residents

This subsection ''—*Tax Residents*'' refers to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Income derived from capital investments under the Notes held by an individual holder who is tax resident in Germany is in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is tax resident in Germany on income from capital investments under the Notes will, in principle, be satisfied by the tax withheld (as described under ''—*Withholding Tax*'' above). To the extent that withholding tax has not been levied, such as in the case of Notes kept in custody abroad or of no Disbursing Agent being involved in the payment process or if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than the actual gain), the individual holder must include its interest income and capital gains derived from the Notes in its annual tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). Further, an individual holder may apply for a taxation of all investment income of a given year at its lower individual tax rate based upon an assessment to tax with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted. Losses incurred with respect to the Notes may only be offset with investment income of the individual holder realized in the same or following assessment periods.

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated January 18, 2016, a bad debt-loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent that the waiver does not qualify as a hidden capital contribution, shall not be treated as a disposal.

Accordingly, losses suffered upon such bad debt-loss or waiver are not tax-deductible if the Notes are held as private investment (*Privatvermögen*). The same rules should apply according to that tax decree, if the Notes expire worthless so that losses may not be tax- deductible at all. Losses suffered from a sale of Notes will only be recognized according to the view of the tax authorities if the proceeds received in the sale exceed the respective transaction costs.

Where Notes form part of a trade or business or the income from the Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and, where applicable, church tax). Where Notes form part of a trade or business, interest (including Accrued Interest) and capital gains must be taken into account as income. The respective holder must include income and related (business) expenses in the annual tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, be refunded. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax (*Gewerbesteuer*). The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*) applicable to the investor. If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non-Tax Residents

This subsection ''—*Non-Tax Residents*'' refers to persons who are not tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, and place of effective management and control is not located in Germany).

Interest and capital gains (which include Accrued Interest) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax-resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income.

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

Certain Luxembourg Tax Considerations

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to certain Luxembourg tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding tax

Non-Resident Note holders

Under Luxembourg general tax laws currently in force, interest payments (including accrued but unpaid interest) and principal made to non-residents of Luxembourg in the context of the holding, disposal, redemption or repurchase of the Notes which are not profit-sharing will not be subject to any Luxembourg withholding tax.

Resident Note holders

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the ''**Relibi Law**''), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of tax in application of the Relibi Law is assumed by the Luxembourg paying agent.

Income Taxation

Non-resident holders of Notes

A non-resident holder of Notes, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realized by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal, in any form whatsoever, of the Notes.

Resident holders of Notes

Holders of Notes who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

(i) Luxembourg resident corporate holder of Notes

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate holder of Notes that is (i) an undertaking for collective investment (UCITS) within the meaning of the law of December 17, 2010 as amended, (ii) a special investment fund (SIF) within the meaning of the law of February 13, 2007, as amended, (iii) a private wealth management company (SPF) within the meaning of the law dated May 11, 2007, as amended, or (iv) a reserved alternative investment fund within the meaning of the law of 14 July 2016 and which does not fall under the special tax regime set out in article 48 thereof, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realized on the sale or disposal, in any form whatsoever, of the Notes.

(ii) Luxembourg resident individual holder of Notes

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Notes has opted for the application of a 20% tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg,) or in a Member State of the European Economic Area (other than a EU Member State). A gain realized by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

An individual holder of Notes acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

Other Taxes and Duties

Under current Luxembourg tax law and current administrative practice, it is not necessary that the Notes be notarized, filed, recorded or enrolled with any court or other authority in Luxembourg, or that any stamp, transfer, capital, registration or similar tax be paid on or in relation to the execution and delivery of the Notes in accordance therewith or the performance of the Issuer's obligations under the Notes, except if the Notes are either (i) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (ii) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*). In such cases, the Notes will be subject to a fixed EUR 12 duty payable by the party registering, or being ordered to register, the Notes. The same registration duties could be due in the case of a registration of the Notes on a voluntary basis.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

VAT

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of a redemption amount or principal under the Notes or the transfer of a Note; provided that Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from value added tax does not apply with respect to such services.

Net Wealth tax

Luxembourg net wealth tax will not be levied on holders of the Notes unless:

(a) Such holder of the Notes is a corporate which is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions and to the exception of the following entities that are net wealth tax exempt, being (i) undertakings for collective investment (UCITS) within the meaning of the law of December 17, 2010 as amended, (ii) investment company in risk capital (SICAR) within the meaning of the law dated June 15, 2004, as amended, (iii) securitization entities within the meaning of the law dated March 22, 2004 as amended, (iv) special investment funds (SIF) within the meaning of the law of February 13, 2007, as amended (v) private wealth management companies (SPF) within the meaning of the law dated May 11, 2007 as amended and (vi) reserved alternative investment funds within the meaning of the law of 23 July 2016; or

(b) The Notes are attributable to an enterprise or part thereof which is carried on by a corporate holder of the Notes through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg.

However, please note that securitization companies governed by the law of 22 March 2004 on securitization, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax. This minimum net wealth tax amounts to EUR 4,815, if the relevant holder of Notes holds assets such as fixed financial assets, receivables owed to affiliated companies, transferable securities, postal checking accounts, checks and cash, in a proportion that exceeds 90% of its total balance sheet value and if the total balance sheet value of these assets exceeds EUR 350,000. Alternatively, if the relevant holder of Notes holds 90% or less of financial assets or if those financial assets do not exceed EUR 350.000, a minimum net wealth tax varying between EUR 535 and EUR 32,100 would apply depending on the size of its balance sheet.

An individual holder of Notes, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Common Reporting Standard

The Organisation for Economic Co-operation and Development has developed a new global standard for the annual automatic exchange of financial information between tax authorities (the ‘‘**CRS**’’). Luxembourg is a signatory jurisdiction to the CRS and has announced that it intends to conduct its first exchange of information with tax authorities of other signatory jurisdictions in September 2017, as regards reportable financial information gathered in relation to fiscal year 2016. The CRS has been implemented into Luxembourg domestic law via the law dated 18 December 2015 concerning the automatic exchange of information on financial accounts and tax matters and implementing the EU Directive 2014/107/EU. The regulation may impose obligations on the Issuer and its shareholders / holders of Notes, if the Issuer is actually regarded as a reporting Financial Institution under the CRS law, so that the latter could be required to conduct due diligence and obtain (among other things) confirmation of the tax residency (through the issuance of self-certifications forms by the holders of Notes), tax identification number and CRS classification of the holders of Notes in order to fulfil its own legal obligations pursuant to the CRS law.

Investors should contact their own tax advisers regarding the application of CRS to their particular circumstances.

Certain United Kingdom Tax Considerations

The following is a general description of certain UK tax consequences relating to the Notes and is based on current UK tax law and HM Revenue & Customs (‘‘**HMRC**’’) published practice, both of which may be subject to change, possibly with retrospective effect. It does not purport to be a complete analysis of all UK tax considerations relating to the Notes, relates only to persons who are the absolute beneficial owners of Notes and who hold Notes as a capital investment, and does not deal with certain classes of persons (such as brokers or dealers in securities and persons connected with the Issuer) to whom special rules may apply.

If you are subject to tax in any jurisdiction other than the United Kingdom or if you are in any doubt as to your tax position, you should consult an appropriate professional adviser.

Interest on the Notes

Payment of interest on the Notes

Provided that the interest on the Notes does not have a UK source, interest on the Notes may be paid without withholding or deduction for or on account of UK income tax. The source of a payment is a complex matter. It is necessary to have regard to case law and HMRC published practice. Case law has established that in determining the source of interest, all relevant factors must be taken into account. HMRC consider the most important factor in deciding whether interest has a UK source is the residence of the debtor and the location of the debtor's assets.

If interest on the Notes has a UK source (''**UK interest**''), it will 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 Luxembourg Stock Exchange is a recognised stock exchange for these purposes. Securities such as the Notes will be treated as listed on the Luxembourg Stock Exchange if they are included in the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market thereof.

In other cases, an amount must be withheld from payments of UK interest on the Notes on account of UK income tax at the basic rate (currently 20%), subject to any other available exemptions or reliefs, and subject to any direction to the contrary by HMRC under an applicable double taxation treaty.

Payment under a Guarantee

Depending on the correct legal analysis of payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) by a Guarantor as a matter of UK tax law, it is possible that such payments may be subject to UK withholding tax at the basic rate (currently 20%), subject to any applicable exemptions or reliefs.

Further United Kingdom tax issues

If the interest on the Notes constitutes UK source income for tax purposes, it may be subject to UK tax by way of assessment (including self-assessment) even where paid without withholding or deduction.

However, UK interest received without withholding or deduction for or on account of UK income tax will not be chargeable to UK tax in the hands of a holder of the Notes (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless (a) that holder of the Notes is a company which carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom or, if not such a company, carries on a trade, profession or vocation in the United Kingdom through a branch or agency, and (b) the UK interest is received in connection with, or the Notes are attributable to, that permanent establishment, branch or agency. There are exemptions for UK interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such holders of the Notes.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is based upon the United States Internal Revenue Code of 1986, as amended (the ''**Code**''), Treasury regulations issued thereunder (the ''**Treasury Regulations**''), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion is limited to consequences relevant to a U.S. holder (as defined below), except for the discussion on Additional Notes (as defined below) and on FATCA (as defined under ''—*Foreign Account Tax Compliance Act*''). This discussion does not address the impact of the U.S. federal Medicare tax on net investment income or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. No rulings from the U.S. Internal Revenue Service (the ''**IRS**'') have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the consequences to the holders redeeming the Existing 2021 Euro Notes, or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities (or investors in such entities), persons liable for alternative minimum tax and persons holding the Notes as part of a ''straddle,'' ''hedge,'' ''conversion transaction'' or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their ''issue price'' (the first price at which a substantial amount of the Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a ''**U.S. holder**'' is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income, and state, local, non-U.S. or other tax laws.

Payments of Stated Interest

Payments of stated interest on a Note (including additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes. Interest generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income or, in certain cases, general category income.

A U.S. holder that uses the cash method of accounting for tax purposes will recognize interest income equal to the U.S. dollar value of the interest payment, based on the spot rate on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash basis U.S. holder will not realize foreign currency exchange gain or loss on the receipt of stated interest income but may recognize exchange gain or loss attributable to the actual disposal of the foreign currency received.

A U.S. holder that uses the accrual method of accounting for tax purposes, or who otherwise is required to accrue interest prior to receipt, may determine the amount recognized with respect to such interest in accordance with either of two methods. Under the first method, such holder will recognize income for each taxable year equal to the U.S. dollar value of the foreign currency accrued for such year determined by translating such amount into U.S. dollars at the average spot rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder's taxable year). Alternatively, an accrual basis U.S. holder may make an election (which must be applied consistently to all debt instruments held by the electing U.S. holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period), or at the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. holder of Notes that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, on the date such interest is received, equal to the difference between the U.S. dollar value of such payment, determined at the spot rate on the date the payment is received, and the U.S. dollar value of the interest income previously included in respect of such payment. This exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S.-source and generally will not be treated as an adjustment to interest income or expense.

Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

Sale, Exchange, Retirement or other Taxable Disposition of Notes

A U.S. holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. holder. The cost of a Note purchased with foreign currency will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, calculated at the exchange rate in effect on that date. If the Note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of the Note at the spot rate on the settlement date of the purchase.

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid stated interest, which will be taxable as ordinary interest income in accordance with the U.S. holder's method of tax accounting as described above) and the U.S. holder's adjusted tax basis in the Note. The amount realized on the sale, exchange, retirement or other taxable disposition of a Note for an amount of foreign currency will generally be the U.S. dollar value of that amount based on the spot rate on the date payment is received or the Note is disposed of. If the Note is traded on an established securities market, a cash basis taxpayer (and, if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized on the settlement date of the disposition. If an accrual method taxpayer makes the election described above, such election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange, retirement or other taxable disposition of a Note that is attributable to changes in currency exchange rates will be ordinary income or loss and, with respect to the principal thereof, will generally be equal to the difference between the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined on the date of the sale, exchange, retirement or other taxable disposition, and the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined on the date the U.S. holder acquired the Note. The exchange gain or loss with respect to principal and with respect to accrued and unpaid stated interest (which will be treated as discussed above under ''—*Payments of Stated Interest*'') will be recognized only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange, retirement or other taxable disposition of the Note, and will be treated as ordinary income generally from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. holder in excess of foreign currency gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note will generally be U.S. source capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of the sale, exchange, retirement or other taxable disposition. In the case of an individual U.S. holder, any such gain may be eligible for preferential U.S. federal income tax rates if the U.S. holder satisfies certain prescribed minimum holding periods. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Additional Notes

The Issuer may issue additional notes (''**Additional Notes**'') as described under ''*Description of the Notes*.'' These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have original issue discount which may adversely affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Tax Return Disclosure Requirement

Treasury Regulations issued under the Code meant to require the reporting of certain tax shelter transactions 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 or other taxable disposition of a Note or foreign currency received in respect of a Note to the extent that any such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of an applicable threshold amount. U.S. holders should consult their 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).

Information Reporting and Backup Withholding

In general, payments of interest and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Certain U.S. holders who are individuals and who hold an interest in ''specified foreign financial assets'' (as defined in section 6038D of the Code) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

Foreign Account Tax Compliance Act

Pursuant to sections 1471 through 1474 of the Code (provisions commonly known as ''**FATCA**''), a ''foreign financial institution'' may be required to withhold U.S. tax on certain passthru payments made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be ''grandfathered'' unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. However, if Additional Notes are issued after the expiration of the grandfather period, have the same CUSIP or ISIN as the original Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all the notes, including the Notes issued hereby, as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of the Notes by employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (''**ERISA**''), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include ''plan assets'' of such employee benefit plans, plans, accounts or arrangements (pursuant to Section 3(42) of ERISA and regulations promulgated under ERISA by the U.S. Department of Labor) (each, an ''**ERISA Plan**''). Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code; however, such plans may be subject to non-U.S., federal, state, or local laws or regulations that are substantially similar to Title I of ERISA or Section 4975 of the Code (''**Similar Laws**'') or which otherwise affect their ability to invest in the Notes. Any fiduciary of such a governmental, church or non-U.S. plan considering an investment in the Notes (together with ERISA Plans, ''**Plans**'') should determine the need for, and, if necessary, the availability of, any exemptive relief under such laws or regulations.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of an ERISA Plan and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA 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 with respect to the assets of such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes, a Plan fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are ''parties in interest,'' within the meaning of ERISA, or ''disqualified persons,'' within the meaning of Section 4975 of the Code, unless an exemption is available. Such transactions are referred to as ''prohibited transactions'' and include, without limitation, (1) a direct or indirect extension of credit to a party in interest or to a disqualified person, (2) the sale or exchange of any property between an ERISA Plan and a party in interest or a disqualified person, or (3) the transfer to, or use by or for the benefit of, a party in interest or a disqualified person, of any plan assets.

A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition, holding and/or disposition of Notes by an ERISA Plan with respect to which we, the Initial Purchasers, the Trustee, the agents and our and their respective affiliates are considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption.

Similar Laws governing the investment and management of the assets of governmental plans, certain church plans and non-U.S. plans which are not subject to ERISA and the Code may contain fiduciary responsibility and prohibited transaction requirements similar to those under Title I of ERISA and Section 4975 of the Code. Accordingly, fiduciaries of such Plans, in consultation with their counsel, should consider the impact of Similar Laws on investments in the Notes and the considerations discussed above, to the extent applicable.

Because of the foregoing, the Notes should not be purchased or held by any person investing ''plan assets'' of any Plan, unless such acquisition, holding and subsequent disposition will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws. Accordingly, by acceptance of a Note, each purchaser and subsequent transferee will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes or an interest therein constitutes assets of any Plan or (ii) the acquisition, holding and disposition by such purchaser or transferee of the Notes or an interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

Further, if the purchaser or subsequent transferee is an ERISA Plan, such purchaser or subsequent transferee will be deemed to have represented and warranted that (1) none of the Issuer, Guarantors or the Initial Purchaser or any of their respective affiliates (the ''Transaction Parties'') has acted as the ERISA Plan's fiduciary (within the meaning of ERISA or the Code), or has been relied upon for any advice, with respect to the purchaser or transferee's decision to acquire and hold the notes, and none of the Transaction Parties shall at any time be relied upon as the ERISA Plan's fiduciary with respect to any decision to acquire, continue to hold or transfer the notes, and (2) the decision to purchase the notes has been made by a duly authorized fiduciary of the ERISA Plan that (i) is independent (as that term is used in 29 C.F.R. 2510.3-21(c)(1)) of the Transaction Parties and there is no financial interest, ownership interest, or other relationship, agreement or understanding or otherwise that would limit its ability to carry out its fiduciary responsibility to the ERISA Plan; (ii) is a bank, insurance carrier, registered investment adviser, a registered broker-dealer, or an independent fiduciary that holds, or has under management or control, total assets of at least $50 million (in each case, as specified in 29 C.F.R. 2510.3-21(c)(1)(i)(A)-(E)); (iii) is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including, without limitation, with respect to the decision to invest in the notes); (iv) has been fairly informed that the Transaction Parties have not and will not undertake to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the purchase and holding of the notes; (v) has been fairly informed that the Transaction Parties have financial interests in the ERISA Plan's purchase and holding of the notes, which interests may conflict with the interest of the ERISA Plan, as more fully described in this Offering Memorandum ; (vi) is a fiduciary under ERISA or the Code, or both, with respect to the decision to purchase and hold the notes and is responsible for exercising (and has exercised) independent judgment in evaluating whether to invest the assets of such ERISA Plan in the notes; and (vii) is not paying any Transaction Party, any fee or other compensation directly for the provision of investment advice (as opposed to other services) in connection with the ERISA Plan's purchase and holding of the notes.

The foregoing discussion is necessarily general in nature, is not intended to be all-inclusive, and should not be construed as legal advice or a legal opinion. Further, no assurance can be given that future legislation, administrative rulings, court decisions or regulatory action will not modify the conclusions set forth in this discussion. Any such changes may be retroactive and thereby apply to transactions entered into prior to the date of their enactment or release. 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 fiduciaries or other persons considering purchasing the Notes (and holding the Notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable.

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes. Each of the sales will be made pursuant to a purchase agreement among the Issuer, the Guarantors and the Initial Purchasers to be dated the date of the final offering memorandum (the ''**Purchase Agreement**''). The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if they purchase any of them.

The Initial Purchasers initially proposes to offer the Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial offering of the Notes, the Initial Purchasers may change the price at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their respective affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

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 its counsel and our counsel.

The Purchase Agreement provides that we 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. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuer, the Guarantors and their subsidiaries that are substantially similar to the Notes during the period from the date of the Purchase Agreement until the date falling 60 days after the date of the final offering memorandum without the prior written consent of the Initial Purchasers.

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A, each of which purchasers or accounts is a Qualified Purchaser within the meaning of Section 3(c)(7) of the Investment Company Act and to certain persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of this Offering and (ii) the Issue Date, an offer or sale of the Notes initially sold in reliance on Regulation S 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 if such offer or sale is made otherwise than in accordance with Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under ''*Important Information*'' and ''*Transfer Restrictions*.''

Each Initial Purchaser has represented, warranted and agreed that it:

- 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 or any Guarantor; and
- 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 United Kingdom.

No action has been taken in any jurisdiction, including the United States, Luxembourg, Germany, the Bailiwick of Jersey and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See ''*Notice to Prospective U.S. Investors*'' and ''*Notice to Certain European Investors*.''

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. The Issuer will apply, through its listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF market. However, the Issuer cannot assure you that the listing will be obtained or, if obtained, maintained.

The Initial Purchasers have advised us that they 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. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. 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 Related to the Notes—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 against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be ten business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as ''T + 10''). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the following seven business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the offering of the Notes, the Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase the Notes in the open markets for the purpose of pegging, fixing or maintaining the price of such Notes. The Stabilizing Manager may also over-allot the offering of the Notes creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the applicable syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and the Stabilizing Manager may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See *''Risk factors—Risks Related to the Notes—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 days after the Issue Date and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business, for which they have received or may receive customary fees and commissions. An affiliate of each of the respective Initial Purchasers is a lender under the Amended and Restated RCF Agreement. The Initial Purchasers or their respective affiliates may also receive allocations of the Notes. Furthermore, such entities may act as counterparties in the hedging arrangements we or our affiliates expect to enter into in connection with the Transactions and will receive customary fees for their services in such capacities.

In the ordinary course of its business activities, each Initial Purchaser and its 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 instruments of ours or our affiliates. If the Initial Purchaser or its affiliates have a lending relationship with us or our affiliates, they may routinely hedge their credit exposure to us or our affiliates in a manner 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 our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchaser and its affiliates may also make investment recommendations and 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 short positions in such securities and instruments.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes and the Note Guarantees offered hereby.

The Notes and the Note Guarantees are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the Issuer and the Initial Purchasers:

(1) You understand and acknowledge that:

(a) the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws;

(b) the Issuer has not been registered under the Investment Company Act and the Issuer is exempt from registration as such by virtue of Section 3(c)(7) of the Investment Company Act. Section 3(c)(7) excepts from the provisions of the Investment Company Act those issuers who privately place their securities solely to persons who at the time of purchase are ''qualified purchasers.'' In general terms, ''qualified purchaser'' is defined to mean. among other things, any natural person who owns not less than U.S. $5,000,000 in investments; any person who in the aggregate owns and invests on a discretionary basis, not less than U.S. $25,000,000 in investments; and trusts as to which both the settlor and the decision-making trustee are qualified purchasers (but only if such trust was not formed for the specific purpose of making such investment); and

(c) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5 and 6 below.

(2) You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act or any other applicable securities laws and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

(3) You represent that you are not an ''affiliate'' (as defined in Rule 144 under the U.S. Securities Act) of the Issuer, that you are not acting on our behalf and that either:

(a) you are a ''qualified institutional buyer'' (as defined in Rule 144A under the U.S. Securities Act) and qualified purchaser (as defined in Section 2(a)(51)(A) of the Investment Company Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer and qualified purchaser, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or

(b) you are not a ''U.S. person'' (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(4) You acknowledge that 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 Offering, other than the information contained in this Offering Memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Group and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Group and the Initial Purchasers.

(5) You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject

to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) to the Issuer, the Guarantors or any subsidiaries thereof;

(b) under a registration statement that has been declared effective under the U.S. Securities Act;

(c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer and qualified purchaser that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act; and

(e) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the Issuer, or any affiliate of the Issuer, was the owner of such Note or an interest in such Global Note, and so may continue indefinitely.

(6) You also acknowledge that:

(a) the above restrictions on resale will apply from the Issue Date until the date that is one year (in the case of Rule 144A Notes) after the later of the Issue Date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Notes) after the later of the Issue Date and when the Notes or any predecessor of the Notes are first offered to persons other than Distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;

(b) if a holder of Notes proposes to resell or transfer Notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to the Issuer and the Trustee a letter from the purchaser in the form set forth in the Indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;

(c) the Issuer, the Registrar and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (5)(d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer, the Registrar and the Trustee; and

(d) each Note will contain a legend substantially to the following effect:

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, AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, 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 REQUIREMENTS OF THE U.S. SECURITIES ACT AND THE INVESTMENT COMPANY ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) 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 THAT IS [IN THE CASE OF RULE 144A NOTES:] ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE 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 SUCH SECURITY), [IN THE CASE OF REGULATION S NOTES:] 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS 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 AND, IN ANY CASE, IF SUCH TRANSFER IS TO A U.S. PERSON OR IN THE UNITED STATES, TO A PURCHASER THAT (I) IS A QUALIFIED PURCHASER FOR THE PURPOSE OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (II) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (III) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (IV) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S. $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (V) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION, 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 (X) PURSUANT TO CLAUSES (C), (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (Y) 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, (2) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND AND (3) [IN THE CASE OF RULE 144A NOTES:] REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) AND A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT) OR [IN THE CASE OF REGULATION S NOTES:] THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST THEREIN CONSTITUTES ASSETS OF ANY “EMPLOYEE BENEFIT PLAN” SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO

SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE ''CODE''), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE ''PLAN ASSETS'' (PURSUANT TO SECTION 3(42) OF ERISA AND REGULATIONS PROMULGATED UNDER ERISA BY THE U.S. DEPARTMENT OF LABOR) OF SUCH EMPLOYEE BENEFIT PLANS, PLANS, ACCOUNTS OR ARRANGEMENTS (COLLECTIVELY, ''**ERISA PLANS**'') OR A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN, SUBJECT TO PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON U.S. LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, ''SIMILAR LAWS'') OR (2) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY OR INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

FURTHER, IF THE PURCHASER OR SUBSEQUENT TRANSFEREE IS AN ERISA PLAN, SUCH PURCHASER OR SUBSEQUENT TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT (1) NONE OF THE ISSUER, GUARANTORS OR THE INITIAL PURCHASER OR ANY OF THEIR RESPECTIVE AFFILIATES (THE ''TRANSACTION PARTIES'') HAS ACTED AS THE ERISA PLAN'S FIDUCIARY (WITHIN THE MEANING OF ERISA OR THE CODE), OR HAS BEEN RELIED UPON FOR ANY ADVICE, WITH RESPECT TO THE PURCHASER OR TRANSFEREE'S DECISION TO ACQUIRE AND HOLD THE NOTES, AND NONE OF THE TRANSACTION PARTIES SHALL AT ANY TIME BE RELIED UPON AS THE ERISA PLAN'S FIDUCIARY WITH RESPECT TO ANY DECISION TO ACQUIRE, CONTINUE TO HOLD OR TRANSFER THE NOTES, AND (2) THE DECISION TO PURCHASE THE NOTES HAS BEEN MADE BY A DULY AUTHORIZED FIDUCIARY OF THE ERISA PLAN THAT (I) IS INDEPENDENT (AS THAT TERM IS USED IN 29 C.F.R. 2510.3-21(C)(1)) OF THE TRANSACTION PARTIES AND THERE IS NO FINANCIAL INTEREST, OWNERSHIP INTEREST, OR OTHER RELATIONSHIP, AGREEMENT OR UNDERSTANDING OR OTHERWISE THAT WOULD LIMIT ITS ABILITY TO CARRY OUT ITS FIDUCIARY RESPONSIBILITY TO THE ERISA PLAN; (II) IS A BANK, INSURANCE CARRIER, REGISTERED INVESTMENT ADVISER, A REGISTERED BROKER-DEALER, OR AN INDEPENDENT FIDUCIARY THAT HOLDS, OR HAS UNDER MANAGEMENT OR CONTROL, TOTAL ASSETS OF AT LEAST $50 MILLION (IN EACH CASE, AS SPECIFIED IN 29 C.F.R. 2510.3-21(C)(1)(I)(A)-(E)); (III) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES (INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO THE DECISION TO INVEST IN THE NOTES); (IV) HAS BEEN FAIRLY INFORMED THAT THE TRANSACTION PARTIES HAVE NOT AND WILL NOT UNDERTAKE TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASE AND HOLDING OF THE NOTES; (V) HAS BEEN FAIRLY INFORMED THAT THE TRANSACTION PARTIES HAVE FINANCIAL INTERESTS IN THE ERISA PLAN'S PURCHASE AND HOLDING OF THE NOTES, WHICH INTERESTS MAY CONFLICT WITH THE INTEREST OF THE ERISA PLAN, AS MORE FULLY DESCRIBED IN THIS OFFERING MEMORANDUM ; (VI) IS A FIDUCIARY UNDER ERISA OR THE CODE, OR BOTH, WITH RESPECT TO THE DECISION TO PURCHASE AND HOLD THE NOTES AND IS RESPONSIBLE FOR EXERCISING (AND HAS EXERCISED) INDEPENDENT JUDGMENT IN EVALUATING WHETHER TO INVEST THE ASSETS OF SUCH ERISA PLAN IN THE NOTES; AND (VII) IS NOT PAYING ANY TRANSACTION PARTY, ANY FEE OR OTHER COMPENSATION DIRECTLY FOR THE PROVISION OF INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH THE ERISA PLAN'S PURCHASE AND HOLDING OF THE NOTES.

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.

(7) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(8) You represent and warrant that either (i) no portion of the assets used by you to acquire and hold such Notes or interest therein constitutes assets of any ''employee benefit plan'' subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, (''**ERISA**''), any plan, individual retirement account or other arrangement subject to Section 4975 of the Code, an entity whose underlying assets are considered to include ''plan assets'' (pursuant to Section 3(42) of ERISA and regulations promulgated under ERISA by the U.S. Department of Labor) of such employee benefit plans, plans, accounts or arrangements (collectively, ''**ERISA Plans**'') or a

governmental plan, church plan or non-U.S. plan, subject to provisions under any federal, state, local, non-U.S. laws or regulations that are similar to such provisions of ERISA or the Code (collectively, ''**Similar Laws**'') or (ii) the acquisition, holding and disposition of this security or interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

Further, if the purchaser or subsequent transferee is an ERISA Plan, such purchaser or subsequent transferee will be deemed to have represented and warranted that (1) none of the Issuer, Guarantors or the Initial Purchaser or any of their respective affiliates (the ''**Transaction Parties**'') has acted as the ERISA Plan's fiduciary (within the meaning of ERISA or the Code), or has been relied upon for any advice, with respect to the purchaser or transferee's decision to acquire and hold the notes, and none of the Transaction Parties shall at any time be relied upon as the ERISA Plan's fiduciary with respect to any decision to acquire, continue to hold or transfer the notes, and (2) the decision to purchase the notes has been made by a duly authorized fiduciary of the ERISA Plan that (i) is independent (as that term is used in 29 C.F.R. 2510.3-21(c)(1)) of the Transaction Parties and there is no financial interest, ownership interest, or other relationship, agreement or understanding or otherwise that would limit its ability to carry out its fiduciary responsibility to the ERISA Plan; (ii) is a bank, insurance carrier, registered investment adviser, a registered broker-dealer, or an independent fiduciary that holds, or has under management or control, total assets of at least $50 million (in each case, as specified in 29 C.F.R. 2510.3-21(c)(1)(i)(A)-(E)); (iii) is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including, without limitation, with respect to the decision to invest in the notes); (iv) has been fairly informed that the Transaction Parties have not and will not undertake to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the purchase and holding of the notes; (v) has been fairly informed that the Transaction Parties have financial interests in the ERISA Plan's purchase and holding of the notes, which interests may conflict with the interest of the ERISA Plan, as more fully described in this Offering Memorandum ; (vi) is a fiduciary under ERISA or the Code, or both, with respect to the decision to purchase and hold the notes and is responsible for exercising (and has exercised) independent judgment in evaluating whether to invest the assets of such ERISA Plan in the notes; and (vii) is not paying any Transaction Party, any fee or other compensation directly for the provision of investment advice (as opposed to other services) in connection with the ERISA Plan's purchase and holding of the notes.

(9) You acknowledge until 40 days following the commencement of this Offering, an offer or sale of the 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.

(10) You acknowledge that the Trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth therein have been complied with.

(11) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes are no longer accurate, you will promptly notify the Issuer and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(12) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or any of the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under ''*Plan of Distribution*.''

(13) The Issuer is a ''covered fund'' as defined in the Volcker Rule. The definition of ''covered fund'' in the Volcker Rule includes (generally) any entity that would be an investment company under the Investment Company Act, but for the exemption provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Issuer relies on Section 3(c)(7) of the Investment Company Act for their

exemption from registration thereunder (which limits sales of the Notes to ''qualified purchasers'' as such term is defined in the Investment Company Act), they are considered to be covered funds, hence banking entities that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining an ''ownership interest'' in the Issuer as a covered fund, absent any applicable exclusion or exemption. Under the Volcker Rule, ''ownership interest'' is defined broadly to include any participation or other interest that entitles the holder of such interest to, amongst other things: (a) vote to remove management or otherwise (other than as a creditor exercising remedies upon an event of default), (b) share in the income, gains, profits or excess spread of the covered fund or (c) receive underlying assets of the covered fund.

(14) You understand that the Issuer may receive a list of participants holding positions in the Notes from one or more book-entry depositories.

LEGAL MATTERS

Certain legal matters relating to the validity of the Notes, the Note Guarantees and certain other legal matters are being passed upon for us by Latham & Watkins (London) LLP, with respect to matters of U.S. federal, New York state law and the laws of England and Wales, by Latham & Watkins LLP, with respect to matters of German law, by Carey Olsen, with respect to matters of Jersey law and by Clifford Chance *société en commandite simple, inscrite au Barreau de Luxembourg*, with respect to matters of Luxembourg law. Certain legal matters relating to the Offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP, with respect to matters of U.S. federal and New York state law, by Allen & Overy LLP, with respect to matters of German law and the laws of England and Wales, by Ogier, with respect to matters of Jersey law and by Allen & Overy *société en commandite simple, inscrite au Barreau de Luxembourg* with respect to matters of Luxembourg law.

INDEPENDENT AUDITORS

The audited consolidated financial statements of the Parent as of and for the year ended December 31, 2016 contained herein have been audited by KPMG Luxembourg, *Société cooperative* (''**KPMG Luxembourg**''), independent auditors, as set forth in their reports appearing herein.

The audited consolidated financial statements of the Parent as of December 31, 2015 and for the period from June 1, 2015 to December 31, 2015 contained herein have been audited by Ernst & Young, *Société Anonyme* (''**E&Y Luxembourg**''), independent auditors, as set forth in their reports appearing herein.

The German-language audited consolidated financial statements of our DACH Division as of and for the years ended December 31 2014 and December 31, 2015 have been audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*) by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (''**E&Y Germany**''), independent auditors, as stated in their German-language auditor's reports appearing herein. English language translations of the abovementioned German language consolidated financial statements (labeled as the ''DACH Division Consolidated Financial Statements'') and the respective auditor's reports are included elsewhere in this Offering Memorandum.

Each of the respective auditor's reports of E&Y Germany on the DACH Division Consolidated Financial Statements refers to the respective DACH Division Consolidated Financial Statements and the respective group management report as a whole. The group management reports are not reprinted in this Offering Memorandum.

The examination of and the auditor's report upon such group management report are required under German commercial law and performed in accordance with German auditing standards. This examination was not made in accordance with generally accepted auditing or attestation standards in the United States of America. Accordingly, E&Y Germany does not express any opinion on this information or on the consolidated financial statements included in this Offering Memorandum, in each case in accordance with U.S. generally accepted auditing standards or U.S. attestation standards.

The audited consolidated financial statements for the UK Division Financial Year 2014 and the UK Division Financial Year 2015 contained herein have been audited by KPMG LLP (''**KPMG UK**''), independent auditors, as set forth in their reports appearing herein. KPMG UK is a member of the Institute of Chartered Accountants in England and Wales.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchaser or any person affiliated with the Initial Purchaser in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Note Guarantees offered hereby 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 either us or the Initial Purchaser.

For so long as any of the Notes remain outstanding and are ''restricted securities'' within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Garfunkelux Holdco 3 S.A., 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg.

We are currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture, we will agree to furnish periodic information to the holders of the Notes. See ''*Description of the Notes—Certain Covenants—Reports.*'' Copies of the Indenture (which include the forms of the Notes) and the Intercreditor Agreement may also be obtained by request to the Issuer.

So long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the listing agent in Luxembourg.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public limited liability company (*société anonyme*) established under the laws of Luxembourg. The majority of the Issuer's and the Guarantors' managing directors, executive board members, supervisory board members, directors, officers and other executives are expected to be neither residents nor citizens of the United States. Furthermore, the majority of the Issuer's and the Guarantors' assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the Guarantors or to enforce against them, the Issuer or the Guarantors judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer and the Guarantors have appointed, or will appoint, an agent for the service of process in New York.

Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on federal or state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and the Federal Republic of Germany 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 federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable, either in whole or in part, in Germany. A conclusive judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozeßordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- U.S. courts could take jurisdiction of the case in accordance with the principles of jurisdictional competence according to German law;
- the document commencing the proceedings was duly served and made known to the defendant in a timely manner that allowed for adequate defense, or in case of non-compliance with such requirement, (i) the defendant does not invoke such non-compliance or (ii) has nevertheless appeared in the proceedings;
- the judgment is not contrary to (i) any judgment which became *res judicata* rendered by a German court or (ii) any judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the applicable judgment does not contradict any such judgment under (i) and (ii) or a proceeding previously commenced in Germany;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of the Federal Republic of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are considered to be in conflict with material principles of German law;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an *exequatur* decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditors' rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

Furthermore, German civil procedure differs substantially from U.S. civil procedure in a number of aspects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

If the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Issuer or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

Luxembourg

The Issuer is incorporated under the laws of Luxembourg and all of the directors and executive officers of the Issuer are non-residents of the United States. Furthermore, a substantial portion of the assets of the Issuer is located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

We have been advised by our Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is enforceable (*executoire*) in the United States;
- the U.S. court awarding the judgment has jurisdiction to adjudicate the applicable matter under applicable U.S. Federal or state jurisdictions rules, and the jurisdiction of the U.S. court is recognized by Luxembourg private international and local law;
- the U.S. court has applied the substantive law as designated by Luxembourg conflict of laws rules (according to certain Luxembourg case law, it is admitted that Luxembourg courts which are asked to grant an exequatur do not have to verify whether the substantive law actually applied by the U.S. court awarding the judgment was the law which would have been thus designated;
- the U.S. judgment does not contravene international public policy or order as understood under the laws of Luxembourg;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

Please note that Luxembourg case law is constantly evolving. Some of the above conditions of admissibility may change: additional conditions could be required to be fulfilled by Luxembourg courts while other conditions may not be verified by Luxembourg courts in the future.

Subject to the above conditions, Luxembourg courts tend not to review the merits of a foreign judgment, although such a review is not statutorily prohibited.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law (i) if the choice of such law was not bona fide or if the foreign law was not pleaded or proved or if pleaded and proved, the foreign law was contrary to Luxembourg mandatory provisions (*lois impératives*) or incompatible with Luxembourg public policy rules, and (ii) if its application is manifestly incompatible with Luxembourg international policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an exequatur may be refused in respect of punitive damages.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than euro. However, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

England and Wales

The United States and the United Kingdom 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, an English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English 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 English conflicts of laws principles and rules of English private international law;

(b) the U.S. judgment not having been given in breach of a jurisdiction or arbitration clause;

(c) the US. 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;

(d) the U.S. judgment not contravening English public policy or the principles of the European Convention on Human Rights or the Charter of Fundamental Rights of the European Union;

(e) 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 involving the enforcement of a non English penal or revenue law;

(f) the U.S. judgment not being for multiple damages or on a claim for contribution in respect of multiple damages;

(g) the U.S. judgment not being contrary to the Protection of Trading Interests Act 1980;

(h) the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;

(i) there not having been a prior inconsistent decision of an English court in respect of the same matter involving the same parties;

(j) the party seeking enforcement providing security for costs, if ordered to do so by an English court; and

(k) the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England and Wales 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 England and Wales. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if proceedings were commenced in England or Wales in an original action predicated solely upon U.S. federal securities laws. Further, it may not be possible to obtain a judgment in England and Wales or to enforce the judgment if the judgment debtor is subject to any insolvency or similar proceedings, of if the judgment debtor has any setoff or counterclaim against the judgment creditor. Finally, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England and Wales unless the subject of the counterclaim was in issue and denied in the U.S. proceedings.

Jersey

Simon Holdco is incorporated 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 what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Jersey court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles (which are broadly similar to the principles accepted under English common law);
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt or definite sum of money (although there are circumstances where non-money judgments can also be enforced);
- the U.S. judgment not contravening Jersey public policy;
- 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;
- 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);
- the U.S. judgment not having been obtained by fraud or in breach of Jersey principles of natural justice or rights under the European Convention on Human Rights; and
- there not having been a prior inconsistent decision of a Jersey court in respect of the same matter.

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.

CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The validity and enforceability of the Collateral will be subject to certain limitations on enforcement and may be limited under applicable law or subject to certain defenses that may limit its validity and enforceability. The following is a brief description of limitations on the validity and enforceability of the Note Guarantees and the Collateral and of certain insolvency law considerations in the jurisdictions in which Note Guarantees or Collateral are being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes, the Note Guarantees or other security interests. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Note Guarantees and the security interest in the Collateral. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. Please see ''Risk Factors—Risks Related to Our Structure and the Financing,'' ''Risk Factors—Risks Related to the Notes'' and ''Risk Factors—Risks Related to Our Financial Profile.'' If additional collateral is required to be granted in the future pursuant to the Indenture, such collateral will also be subject to limitations and enforceability and validity, which may differ from those discussed below.

European Union

The Issuer and the Guarantors are organized under the laws of member states of the European Union.

The Regulation (EU) 2015/848 of the European Parliament and of the Council dated May 20, 2015 (recast) (the ''**New EU Insolvency Regulation**'') became applicable from, and to insolvency proceedings opened from, June 26, 2017. Council Regulation (EC) No. 1346/2000 on insolvency proceedings, as amended from time to time remains applicable to insolvency proceedings opened before that date.

The New EU Insolvency Regulation includes, among others, specifications regarding the identification of the center of main interests. Pursuant to Article 3(1) of the New EU Insolvency Regulation, in the case of a company or legal person, the center of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the center of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in another member state than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the center of the management of its interests is located in that other member state. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (e.g. by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means). Another change under the New EU Insolvency Regulation focuses on the definition of ''establishment'' as a prerequisite to open ''territorial proceedings'' (secondary proceedings). Under the New EU Insolvency Regulation, ''establishment'' means any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets.

Germany

Insolvency

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings (*Antrag auf Eröffnung des Insolvenzverfahrens*). Insolvency proceedings must be initiated by the debtor and can be initiated by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event of illiquidity (*Zahlungsunfähigkeit*).

A debtor is over-indebted when its liabilities exceed the value of its assets unless, based on the prevailing circumstances, a continuation of the business is predominantly likely (*überwiegend wahrscheinlich*).

A company is considered to be illiquid if it is unable to pay its debt when they fall due. In addition, only the debtor can file for the opening of insolvency proceedings in case of impending illiquidity (*drohende Zahlungsunfähigkeit*), if there is the imminent risk for the company of being unable to pay its debt as and when they fall due, whereas impending illiquidity does not give rise to an obligation for the management of the debtor to file for insolvency proceedings.

If a GmbH (*Gesellschaft mit beschränkter Haftung*), a stock corporation (*Aktiengesellschaft*) or any other company not having an individual as a personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the managing director(s) or under certain circumstances the shareholders of such company must file a petition for the opening of insolvency proceedings without undue delay but in any event no later than three weeks after such company has become illiquid and/or over-indebted. The management of a debtor can be exposed to criminal sanctions as well as damage claims in the event that filings for insolvency are delayed or not made at all.

If a company faces imminent illiquidity and/or is over-indebted it may also file for a preliminary protection scheme (*Schutzschirmverfahren*) unless—from a third-party perspective—there is no reasonable chance of a successful restructuring. In such case and upon request of the debtor, the court will appoint a preliminary custodian (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immoveable assets). It may also implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor must prepare an insolvency plan which will ideally be implemented in formal ''debtor-in-possession'' proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are court-controlled, and, upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. As part of such protective measures the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may be, in particular, to safeguard and preserve the debtor's property and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. This only applies, where the debtor has not applied for so-called self-administration (*Eigenverwaltung*), in which event the court will only appoint a preliminary custodian (*vorläufiger Sachwalter*), who will supervise the management of the affairs by the debtor. During preliminary insolvency proceedings, a ''preliminary creditors' committee'' (*vorläufiger Gläubigerausschuss*) generally will be appointed by the court if the debtor satisfies two of the following three requirements:

- a balance sheet total in excess of €6,000,000 (after deducting an equity shortfall if the debtor is over-indebted);
- revenue of at least €12,000,000 in the 12 months prior to the last day of the financial year preceding the filing; and/or
- 50 or more employees on an annual-average basis.

The requirements apply to the entity subject to the proceedings without taking into account the assets of other group companies. The preliminary creditors' committee will be able to participate in certain important decisions taken during the preliminary insolvency proceedings. It will, for example, have the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*), orders for ''self-administration'' proceedings (*Anordnung der Eigenverwaltung*), and the appointment of a preliminary custodian (*vorläufiger Sachwalter*). The court opens formal insolvency proceedings (*Insolvenzeröffnung*) if certain formal requirements are met (in particular, but not limited to, evidence being provided of an existing cause of insolvency) and there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open main insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of the insolvency proceedings, an insolvency administrator (*Insolvenzverwalter*) is usually appointed by the court who has full administrative and disposal authority over the debtor's assets unless debtor-in-possession (*Eigenverwaltung*) are ordered. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations or may deem it necessary to wind down the debtor. Satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor prior to the opening of insolvency proceedings.

For the holders of the Notes, the most important consequences of such opening of formal insolvency proceedings against a company subject to the German insolvency regime would be the following:

- the right to administer and dispose of assets of the German subsidiary of the Issuer would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate, unless debtor-in-possession proceedings (*Eigenverwaltung*) are ordered;
- if the court does not order debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by management of the German subsidiary of the Issuer after the opening of formal insolvency proceedings are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings, a creditor in the insolvency proceedings acquires through execution (*e.g.*, attachment) a security interest in part of the Issuer's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings; and
- claims against the German subsidiary of the Issuer may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

Under German insolvency law, termination rights, automatic termination events or ''escape clauses'' entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights (*Wahlrecht des Insolvenzverwalters*) applicable under statutory law. This may also relate to agreements that are not governed by German law.

Any person that has a right to segregation (*Aussonderung*), *i.e*., the relevant asset of this person does not constitute part of the insolvency estate, does not participate in the insolvency proceedings; the claim for segregation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All other creditors, whether secured or unsecured (unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) as opposed to a preferential right (*Absonderungsrecht*)) who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors is—in principle—subject to an automatic stay once the insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). Unsecured creditors may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available). Certain secured creditors have preferential rights regarding the enforcement of their security interests, but German insolvency law imposes certain restrictions on their ability to enforce their security interests outside the insolvency proceedings and in many cases the insolvency administrator will have the sole right to enforce the security. Whether or not a secured creditor remains entitled, after the initiation of insolvency proceedings, to enforce security granted to it by the relevant debtor depends on the type of security.

The insolvency administrator generally has the sole right (i) to realize any moveable assets within its possession which are subject to preferential rights (*Absonderungsrechte*) (*e.g*., pledges over movable assets and rights (*Mobiliarpfandrechte*) transfer by way of security (*Sicherungsübereignung*)) as well as (ii) to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). If such enforcement right is vested in the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds (plus VAT (if any)), are paid to the creditor holding the relevant security interest in the relevant collateral up to an amount equal to its secured claims. The unencumbered assets of the debtor serve to satisfy the costs of the insolvency proceeding (*Massekosten*) first and afterwards the preferred creditors of the insolvency estate (*Massegläubiger*). Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the insolvency estate. Thereafter, all other claims (insolvency claims (*Insolvenzforderungen*)), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvency estate (*Insolvenzmasse*). A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency laws, it is possible to implement a debt-to-equity swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to-equity swap with regards to the debt owed to it by the debtor if it does not consent to such swap. Creditors secured by pledges over shares in subsidiaries of the debtor are entitled to preferential satisfaction with regard to the proceeds realized in an enforcement process which has to be effected by means of a public auction outside the insolvency process. However, in the absence of authoritative case law, it is uncertain whether the secured creditors are entitled to initiate the enforcement process in respect of the pledged shares on their own or, as far as the pledged assets are part of any insolvency estate, whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors. Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the disposal proceeds (*Absonderungsrecht*). Consequently, the enforcement proceeds minus certain contributory charges as described above are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts will be allocated to the insolvency estate (*Insolvenzmasse*) and would, after deduction of the costs of the insolvency proceedings (as described above) and after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including, to the extent their claims exceed the enforcement proceeds of the security interests, the holders of the Notes. If a German subsidiary or a subsidiary subject to German insolvency proceedings grants security over its assets to creditors other than the holders of the Notes, such security may result in a preferred treatment of creditors secured by such security. The proceeds resulting from such collateral securing creditors other than the holders of the Notes may not be sufficient to satisfy the holders of the Notes under the Note Guarantees granted by the German Guarantors after satisfaction of such secured creditors.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a moveable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor for any loss of value resulting from such use. It may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. An alternative distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires, in principle, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In the case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (*i.e.*, there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and *vis-à-vis* each entity have to be dealt with separately. Recently, the German legislator resolved upon the act to facilitate the mastering of group insolvencies (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*) which will enter into force on April 21, 2018. However, this act mainly provides for coordination of and cooperation between insolvency proceedings of group companies. The act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceedings; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for ''coordination proceedings'' (*Koordinationsverfahren*) and the appointment of a ''coordination insolvency administrator'' (*Koordinationsverwalter*) with the ability to propose a ''coordination plan'' (*Koordinationsplan*).

German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or payment of a consideration), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

German insolvency proceedings regarding natural persons

A natural person is only insolvent in case of an (imminent) inability to pay its debts as and when they fall due (*Zahlungsunfähigkeit*)—an insolvency based on over-indebtedness (*Überschuldung*) does not apply to natural persons.

To the extent a natural person resident in Germany does not operate commercially (and has not done so recently), the consumer insolvency proceedings (*Verbraucherinsolvenzverfahren*) might apply to any such natural persons. These are insolvency proceedings based on three stages: (1) Prior to the filing for insolvency, the debtor has to set up and offer its creditors a plan to settle his debts in the course of an out-of-court debt-adjustment procedure (*außergerichtliches Schuldenbereinigungsverfahren*). During this out-of-court procedure, the general rules apply with respect to an enforcement of security interests, *i.e.*, there are no restrictions on enforcement of security. (2) If the debtor fails to reach a settlement with its creditors, he/she may file for insolvency. The insolvency court may then initiate an in-court debt-adjustment procedure (*gerichtliches Schuldenbereinigungsverfahren*) in which the court may, under certain circumstances, replace a creditor's objection to a settlement (*cram-down*). During this in-court procedure, the preliminary insolvency proceedings (*vorläufiges Insolvenzverfahren*) are pending but the court may order preliminary restrictions on enforcement of security. (3) If the in-court procedure also fails, the court may open insolvency proceedings. With respect to security interests granted by a natural person, the insolvency proceedings do not differ much from the general insolvency proceedings. The consumer insolvency proceedings may also include an insolvency plan (*Insolvenzplan*) but the debtor may not apply for debtor-in-possession status (*Eigenverwaltung*). If not the natural person but one of its creditors files for insolvency over the assets of the natural person, the court allows the natural person/debtor to file for insolvency as well. If the debtor does so, he/she has to follow the above mentioned three steps. If the debtor refuses to file for insolvency, the court may open insolvency proceedings straight-away.

Natural persons may under certain circumstances apply to be discharged from all residual debt remaining at the end of an insolvency proceeding (*Restschuldbefreiung*) if they agree to assign the seizable part of their wages for a period of generally six years from the opening of the insolvency proceedings to a court-appointed trustee. The period can be reduced, *e.g.,* to five years if the debtor has paid all costs of the proceedings or even three years if the debtor has paid all costs of the proceedings and the amount that has been paid to the trustee is sufficient to repay at least 35% of the debt. The insolvency creditors may request the court to deny the discharge based on certain reasons stated in the German Insolvency Code (*Insolvenzordnung*). The discharge of all residual debt would generally not affect the security interests granted by the respective natural person that is subject to the insolvency proceedings as the German Insolvency Code (*Insolvenzordnung*) excludes certain security interests from the effects of the discharge.

An insolvency administrator may void the granting of guarantees, security interests, etc. by the insolvent natural person in the cases described below.

Limitation on Enforcement

GFKL Holdco, Lowell Holding, GCG, SIR, PCS and IBW Verwaltungs (together with IBW, the ''**German Guarantors**'') are incorporated in Germany in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung* or *GmbH*) (''**GmbH**'') and any security (including a guarantee) granted by such a GmbH is subject to certain provision of the Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung—GmbHG*) (‘‘**GmbHG**’’).

As a general rule, sections 30 and 31 of the GmbHG (‘‘**Sections 30 and 31**’’) prohibit a GmbH from disbursing its assets to its (direct or indirect) shareholders to the extent that the amount of the GmbH's net assets determined in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) (*i.e.*, assets minus liabilities and liability reserves) is or would fall below, or increases or would increase an existing shortfall of, the amount of its stated share capital (*Begründung oder Vertiefung einer Unterbilanz*). Guarantees and any other security granted by a GmbH in order to secure the liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to secure the liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called ‘‘limitation language’’ in relation to subsidiaries in the legal form of a GmbH incorporated or established in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees or security interest agree to enforce the guarantees or security interest against the German subsidiary only to the extent that such enforcement would not result in the GmbH's net assets falling below, or increasing an existing shortfall of, its stated share capital (provided that the determination and calculation of such shortfall is subject to certain adjustments and exemptions). Accordingly, any security and Note Guarantee provided by a (direct or indirect) subsidiary of the Issuer in the legal form of a GmbH (incorporated or established in Germany) will contain such limitation language in the manner described. This could lead to a situation in which the respective Note Guarantee or security granted by a GmbH cannot be enforced at all.

Furthermore, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee or security interest granted by a German (direct or indirect) subsidiary of the Issuer. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero.

German capital maintenance, liquidity maintenance and financial assistance rules are subject to evolving case law. Future court rulings may further limit the access of shareholders to assets of their subsidiaries constituted in the form of a GmbH, which can negatively affect the ability of German (direct or indirect) subsidiaries of the Issuer to make payment on the Notes, of the subsidiaries to make payments on the guarantees, of the secured parties to enforce the collateral or of the beneficiaries of the guarantees to enforce the guarantees.

Notwithstanding that the incurrence of the Note Guarantees by (German) direct or indirect subsidiaries of the Issuer should, as of today, not result in any illiquidity (*Zahlungsunfähigkeit*) of such German Guarantor, the enforcement of the Note Guarantees and security interests granted by such German Guarantors may be excluded, according to certain provisions contained in the limitation language, if any high court decisions (*höchstrichterliche Entscheidung*) of a German Higher Regional Court (*Oberlandesgericht*) or the German Federal Court of Justice (*Bundesgerichtshof*) holding that the granting of a guarantee and/or security to secure any obligation of an affiliated company within the meaning of Section 15 AktG of such guarantor and/or security grantor (other than any of its direct or indirect subsidiaries) in comparable circumstances may nevertheless in case of the enforcement of such guarantee and/or security trigger any personal liability of the relevant German Guarantor's managing directors pursuant to section 64 sentence 3 GmbHG.

The limitations set out above apply mutatis mutandis if the Guarantee or security is granted by a German Guarantor incorporated or established in Germany as a limited liability partnership (*Kommanditgesellschaft*) (including, without limitation, IBW) with a general partner (*Komplementär*) organized in the legal form of (i) a GmbH (*Gesellschaft mit beschränkter Haftung*); (ii) an AG; or (iii) an entrepreneurs company with limited liability (*Unternehmergesellschaft (haftungsbeschränkt)*), in relation to such general partner (*Komplementär*).

Parallel Debt; Security Interests

Under German law, certain ‘‘accessory’’ security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee which does not itself hold the secured claim. The holders of interests in the Notes from time to time will not be parties to the security documents. In order to permit the holders of the Notes from time to time to benefit from pledges granted to the Security Agent under German law, the Intercreditor Agreement provides for the creation of a ''parallel debt.'' Pursuant to such parallel debt, the Security Agent becomes the holder of a claim equal to the sum of any amounts payable by any obligors under, in particular, the Notes and the Indenture (the ''**Parallel Debt Obligation**''). The pledges governed by German law will directly and exclusively (to the extent the Notes are concerned) secure the Parallel Debt Obligation, rather than secure the obligations under the Notes or the holders of the Notes directly. The Parallel Debt Obligation is in the same amount and payable at the same time as the obligations of the Issuer and the security providers under the Notes and the Note Guarantees (the ''**Principal Obligations**''), and any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt Obligation and any payment in respect of the Parallel Debt Obligation will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the Security Providers for the full principal amount of the Notes, there are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law to secure such parallel debt, and hence there is no certainty that German courts will uphold such pledges. Therefore, the ability of the Security Agent to enforce the Collateral may be restricted. In addition, holders of the Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent.

German law does not generally permit the appropriation of pledged assets by the pledgee upon enforcement of the pledge. The enforcement of a share pledge under German law usually requires the sale of the asset constituting the collateral through a formal process involving a public auction to which certain waiting periods and notice requirements apply. Under German law, it is unclear whether the security interest in the collateral gives the security agent the right to prevent other creditors of the entities having granted such security from foreclosing on and realizing the asset constituting the collateral. Some courts have held that certain types of security interests only give their holders priority (according to their ranking) in the distribution of any proceeds from the realization of the asset constituting the collateral and no right to intervene (*i.e.*, the right to request the court to impose a stay on proceedings initiated by other creditors).

Hardening Periods and Fraudulent Transfer

In the event of insolvency proceedings with respect to a company, which would be based on and governed by the insolvency laws of Germany, the security interests granted as well as a guarantee provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

On the basis of these rules, an insolvency administrator may challenge (*anfechten*) transactions which are deemed detrimental to insolvency creditors and which were effected prior to the commencement of insolvency proceedings, subject to specific periods. Such transactions can include the payment of any amounts to the holders of the Notes as well as granting them any security interest (including guarantees). The administrator's right to challenge transactions can, depending on the circumstances, extend to transactions during the ten-year period prior to the commencement of insolvency proceedings. If the Notes, the Note Guarantees or the security were avoided, holders of the Notes would only have a general unsecured claim in insolvency proceedings in the amount of their original investment and the holders of the Notes would be under an obligation to repay the amounts received by the insolvency estate or to waive such Note Guarantee or security interest.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which terms also include the provision of security or the repayment of debt) may be avoided in the following cases:

- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction for a debt (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time when such act was taken and the creditor knew of such illiquidity (or of the circumstances that imperatively suggested that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that imperatively suggested such illiquidity or filing);

- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor, to obtain security or satisfaction for a debt to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time, or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggested such detrimental effect);
- a transaction (*Rechtsgeschäft*) by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity or such filing at the time of the transaction;
- any act (*Rechtshandlung*) by the debtor without (adequate) consideration (*e.g.*, whereby a debtor grants security or a guarantee for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act (*Rechtshandlung*) performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intent to prejudice its insolvency creditors and the other party knew of such intention at the time of such act. In the case that the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction for a debt, the avoidability of acts is limited to four years. ''Knowledge by the other party'' in terms of such provision is presumed if the other party knew that the debtor was illiquid and that the relevant act disadvantaged the other creditors. The fact that the creditor agreed on a payment plan with the debtor or agreed to deferred payments shall establish the presumption that he had no knowledge of the debtor being illiquid at this time;
- any non-gratuitous contract concluded between the debtor and a related party of the debtor which directly operates to the detriment of the creditors can be avoided unless such contract was concluded more than two years prior to the filing for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors; in terms of corporate entities, the term ''related party'' includes, subject to certain limitations, members of the management or supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;
- any act (*Rechtshandlung*) that provides security or satisfaction for a shareholder loan (*Gesellschafterdarlehen*) made to the debtor or a similar claim if (i) in case of the provision of security, the act took place during the ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition, or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; and
- any act (*Rechtshandlung*) whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, ''knowledge'' is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debt generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a ''related party,'' there is a general statutory presumption that such party had ''knowledge.'' Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order (*Vollstreckungstitel*) but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the above-described rules under the German Insolvency Code and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

In addition, under German law, a creditor who provided additional, or extended existing, funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor as the grantor of the guarantee or security was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Luxembourg

Insolvency

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (together referred to as insolvency proceedings) may be initiated against a company having its center of main interests or an establishment (both terms within the meaning of the New EU Insolvency Regulation) in Luxembourg:

- bankruptcy proceedings (''*faillite*''), the opening of which may be requested by the company, by any of its creditors or by the courts *ex officio*. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if a Luxembourg company: (i) is in a state of cessation of payments (''*cessation des paiements*'') and (ii) has lost its commercial creditworthiness (''*ébranlement de crédit*''). The main effect of such proceedings is the sale of the assets and allocation of the proceeds of such sale between creditors taking into account their rank of privilege, as well as the suspension of all measures of enforcement against the company except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that ceases its payments (*i.e.* is unable to pay its debts as they fall due with normal means of payment) must within a month of them having become aware of the company's cessation of payments, file a petition for bankruptcy (*faillite*) with the court clerk of the district court of the company's registered office. If the managers or directors fail to comply with such provision they may be held (i) liable towards the company or any third parties on the basis of principles of managers'/directors' liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with Article 574 of the Luxembourg commercial code;
- controlled management proceedings (''*gestion contrôlée*''), the opening of which may only be requested by the company and not by its creditors and under which a Luxembourg court may order the provisional stay of enforcement of claims except for secured creditors (please see the below applicable provision of the Luxembourg law dated August 5, 2005 concerning financial collateral arrangements, as amended (the ''**Financial Collateral Law 2005**'');
- composition proceedings (''*concordat préventif de la faillite*''), the opening of which may only be requested by the company (subject to obtaining the consent of the majority of its creditors) and not by its creditors directly. The Luxembourg court's decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors except for secured creditors (please see the below applicable provisions of the Financial Collateral Law 2005); or

- in addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a Luxembourg court to grant a stay on payments (''*sursis de paiement*'') or to put a Luxembourg company into judicial liquidation (''*liquidation judiciaire*''). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg commercial code or of the Luxembourg law of August 10, 1915 on commercial companies, as amended (the ''**Companies Law 1915**''). The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of a Luxembourg company in respect of the Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and any claims that are preferred under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- remuneration owed to employees (last six months' wages amounting to a maximum of six times the minimum social salary);
- employees' contributions to social security;
- certain amounts owed to the Luxembourg Revenue;
- employer's contribution to social security;
- landlords, for certain unpaid sums due to them; and
- value-added tax and other taxes and duties owed to Luxembourg Customs and Excise.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realized).

Favorable rules apply in relation to security interests of claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments) pursuant to the Financial Collateral Law 2005. Article 20 of the Financial Collateral Law 2005 provides that Luxembourg law financial collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as valuation and enforcement measures agreed upon by the parties are valid and enforceable even if entered into during the pre-bankruptcy preference period (*période suspecte*) against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings (save in the case of fraud).

Article 24 of the Financial Collateral Law 2005 provides that foreign law security interests over claims or financial instruments granted by a Luxembourg pledgor will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law security interests are similar in nature to a Luxembourg security interest falling within the scope of the Financial Collateral Law 2005. If Article 24 applies, Luxembourg preference period rules are disapplied (save in the case of fraud).

Article 21(2) of the Financial Collateral Law 2005 provides that where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar persons if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of such proceedings, measures or arrangement.

Impact of insolvency proceedings on transactions

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. Other than as described above, the ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings expressly providing that the rights of secured creditors are frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the relevant Issuer's liabilities in order to take effect.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings. However, during such controlled management proceedings a notice of default may still be served.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuer during the preference period (*période suspecte*) which is a maximum of six months plus ten days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to Article 445 of the Luxembourg code of commerce (*Code de Commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts save in respect of financial collateral arrangements within the meaning of the Financial Collateral Law 2005; payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to Article 446 of the Luxembourg code of commerce, payments made for matured debts as well as other transactions concluded for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments; and
- pursuant to Article 448 of the Luxembourg code of commerce and Article 1167 of the Luxembourg civil code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in the automatic termination of contracts except for employment agreements and powers of attorney. The contracts, therefore, subsist after the bankruptcy order. However, the bankruptcy receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on a Luxembourg company's business and assets and such Luxembourg company's respective obligations under the Notes.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the New EU Insolvency Regulation. In particular, rights *in rem* over assets located in another jurisdiction where the New EU Insolvency Regulation will not be affected by the opening of insolvency proceedings, without prejudice however to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of Article 24 of the Financial Collateral Law 2005 as described above and Article 16 of the New EU Insolvency Regulation).

Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests

Under Luxembourg law, contracts are in principle formed by the mere agreement (*consentement*) between the parties thereto. The granting of any financial collateral governed by the Financial Collateral Law 2005 must be capable of being evidenced in writing. However, additional steps may be required to enforce security interests against third parties. According to Luxembourg conflict of law rules, Luxembourg courts will generally apply, in relation to the creation, perfection and enforcement of security interests over the assets subject to such security interests, the law of the place where such assets subject are situated (*lex rei sitae* or *lex situs*). As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims having debtors located in Luxembourg and/or governed by Luxembourg law, securities which are held through an account located (or deemed to be located) in Luxembourg and bearer securities physically held in Luxembourg.

If certain assets are located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The creation, validity and enforcement of security interests such as pledges and transfer of ownership as security, granted on financial instruments and claims (in order to secure cash settlement and/or delivery of financial instruments) are notably governed by the Financial Collateral Law 2005. Pursuant to the Financial Collateral Law 2005, a pledge (gage) is effected by a transfer of possession of the pledged assets to the pledgee or to a third party acting as depository for the pledgee and the pledgee's preference rights over the pledged assets only remain in existence as long as the pledgee or the depository remains in possession of such assets.

A physical transfer of possession not being possible for intangibles such as monetary claims, the Financial Collateral Law 2005 provides for a fictitious transfer of possession (*i.e.* perfection) which is effected by mechanisms which depend on the nature of the intangibles involved. In case of registered shares and other registered instruments, the dispossession is validly realized by notifying the pledge to the issuer of such shares/instruments or by an acceptance of the pledge by the issuer of such shares/instruments who in turn will proceed to an entry of the pledge in the share register/the register of the relevant instruments (as applicable) held by the issuer of such shares/instruments.

In case of cash bank accounts held in Luxembourg with a Luxembourg bank, the account-holding bank generally has a first-ranking security right over the accounts and the balances thereof. Hence, a pledge over such cash bank accounts is validly created and the dispossession is validly realized by notifying the pledge to the first-ranking security beneficiary/the holder of the pledged accounts (i.e. the account-holding bank) and by the acceptance of the pledge by such security beneficiary/holder of the pledged accounts, who in turn would normally also waive its first-ranking security rights over the bank accounts concerned. If future bank accounts are pledged, an additional notification to, and acceptance and waiver by the account bank will be required for both the creation and the perfection of the pledge over such future bank accounts.

A pledge granted over intragroup receivables is perfected once the relevant pledge agreement has been entered into by all parties thereto. However, in order for the debtor under the pledged receivables not to be able to validly liberate itself from its payment obligations thereunder by paying the pledgor instead of the Security Agent, when the pledge agreement provides that such payment shall inure to the Security Agent, the debtor of such receivables needs to be notified of or has to accept the pledge granted thereover.

The above perfection steps and actions need to be undertaken by the grantor of the security interest and/or the Security Agent. If the relevant pledgor or the Security Agent fails or is unable to take the necessary steps/actions required to take or perfect any of the above-mentioned security interests, such security interests will not have been created and/or perfected with respect to the claims arising under the Notes.

Article 11 of the Financial Collateral Law 2005 sets out the following enforcement methods, available upon the occurrence of the relevant enforcement event in respect of a pledge governed by the provisions of the Financial Collateral Law 2005:

- appropriation by the pledgee or appropriation by a third party of the pledged assets at (i) a value determined in accordance with a valuation method agreed upon by the parties or (ii) the listing price of the pledged assets (if the pledged assets are listed on an official Luxembourg or foreign stock market or traded on a recognized regulated market open to the public);
- selling or causing the sale of the pledged assets (i) in a private transaction at commercially reasonable terms (*conditions commerciales normales*), (ii) by a public sale at the stock exchange, or (iii) by way of a public auction;
- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court-appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Financial Collateral Law 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, *e.g.*, courts, stock exchanges and appraisers, the enforcement of the security interests might be delayed. Foreign law governed security interests and the powers of any receivers/administrators may not be enforceable in respect of assets located or deemed to be located in Luxembourg. Luxembourg law governed security interests may not be enforceable in respect of assets located or deemed to be located outside of Luxembourg.

Security interests/arrangements, which are not expressly recognized under Luxembourg law and the powers of any receivers/administrators may not be recognized or enforced by the Luxembourg courts, in particular where the Luxembourg security grantor becomes subject to Luxembourg insolvency proceedings or where the Luxembourg courts otherwise have jurisdiction because of the actual or deemed location of the relevant rights or assets, except if ''main insolvency proceedings'' (as defined in the New EU Insolvency Regulation) are opened under Luxembourg law and such security interests/ arrangements constitute rights in rem over assets located in another Member State in which the New EU Insolvency Regulation applies, and in accordance of Article 8 of the New EU Insolvency Regulation.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Such creditor may seek the forced sale of the assets of the pledgors through court proceedings, although the beneficiaries of the pledges will in principle remain entitled in priority to the proceeds of such sale (subject to preferred rights by operation of law).

When a Luxembourg company grants guarantees and/or security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by the decision of delegates that have been appointed for such purpose. In addition, the granting of the envisaged guarantees and/or security interests must comply with the Luxembourg company's corporate object. The proposed action by the company must be ''in the corporate interest of the company,'' which is a translation of the French ''*intérêt social*,'' an equivalent term to the English legal concept of corporate benefit. The concept of ''corporate interest'' is not defined by law, but has been developed by doctrine and court precedents and may be described as being ''the limit of acceptable corporate behavior.''

Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In a group context, the interest of the companies of the group taken individually is not entirely eliminated. With respect to guarantors and/or security grantors incorporated in Luxembourg, even if the Companies Law 1915, does not provide for rules governing the ability of a Luxembourg company to guarantee and/or secure the indebtedness of another entity of the same group, it is generally held that within a group of companies, in the context of a group of related companies, the existence of a group interest in granting upstream or cross-stream assistance under any form (including under the form of guarantee or security) to other group companies could constitute sufficient corporate benefit to enable a Luxembourg company to grant such guarantee or security, provided that the following conditions are met (and subject in any event to all the factual circumstances of the matter): (i) such guarantee or security must be given for the purpose of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group, (ii) the commitment to grant such guarantee or security must not be without consideration and such commitment must not be manifestly disproportionate in view of the obligations entered into by other group companies, and (iii) such guarantee or security granted or any other financial commitments must not exceed the financial capabilities of the committing company.

Although the existence of a corporate interest in the granting of a guarantee or a security interest on a group level is certainly important, the mere existence of such a group interest does not compensate for a lack of corporate interest for one or more of the companies of the group taken individually. The concept of corporate benefit is of particular importance in the context of misuse of corporate assets provided by Article 171-1 of the Companies Law 1915. The failure to comply with the corporate benefit requirement will typically result in liability (personal and/or criminal) for the directors or managers of the guarantor concerned. The guarantees or security interests granted by a Luxembourg company could themselves be held void or unenforceable if their granting is contrary to Luxembourg public policy (*ordre public*). It should be stressed that, as is the case with all criminal offenses addressed by the Company Law 1915, a director or a manager of a company will in general be prosecuted for misuse of corporate assets only if someone has lodged a complaint with the public prosecutor. This person may be an interested third party, *e.g.*, a creditor, a minority shareholder, a liquidator or an insolvency receiver. In addition, it cannot be excluded that the public prosecutor could act on its own initiative if the existence of such a misuse of corporate assets became known to him. If there is a misuse of corporate assets criminally sanctioned by court, then this could, under general principles of law, have the effect that contracts concluded in breach of Article 171-1 of the Companies Law 1915 will be held null and void.

The criteria mentioned above have to be applied on a case-by-case basis, and a subjective, fact-based judgment is required to be made, by the directors or managers of the Luxembourg company. As a result of the above developments, the guarantees or security interests granted by a Luxembourg company will be subject to certain limitations, which will take the form of general limitation language (limiting the guarantee obligations of such Luxembourg company to a certain percentage of, *inter alia*, its net assets (*capitaux propres*) and certain intra-group liabilities), which is inserted in the relevant finance document(s), indenture or guarantee agreements and which covers the aggregate obligations and exposure of the relevant Luxembourg company under all finance documents, indentures or guarantee agreements.

The registration of the Notes, the security interest agreements, the Indenture, the Note Guarantees and the transaction documents (and any document in connection therewith) (the ''**Documents**'') is required if such Documents are either (i) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (ii) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*). In such cases, as well as in case of a voluntary registration, the Documents will be subject to registration duties payable by the party registering, or being ordered to register, the Documents. Depending on the nature of the Documents, such registration duties would be *ad valorem* (such as for instance a registration duty of 0.24% calculated on the amounts mentioned in those agreements) or fixed (such as for instance a registration duty of 12€ for a pledge). No ad valorem duty is payable in respect of security interest agreements, which are subject to the Financial Collateral Law 2005. Luxembourg courts or official Luxembourg authorities may require (when these are presented before them) that the notes, the security interest agreements, the indentures, the guarantees and the transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

England and Wales

Certain Guarantors are incorporated in England and Wales, maintain their respective registered offices in and conduct their businesses and the administration of their interests on a regular basis in and from England and Wales (''**English Guarantors**'' and each an ''**English Guarantor**''). On the basis of these factors, an English court may conclude that the English Guarantors have their center of main interests, within the meaning of the New EU Insolvency Regulation, in England and therefore insolvency proceedings in England constituting ''main insolvency proceedings'' under Article 3(1) of the New EU Insolvency Regulation may be commenced in respect of an English Guarantor in the courts of England & Wales. In such a case, English law would apply to those proceedings and the effects of those proceedings must be recognized by Member States across the European Union (except Denmark). Any insolvency proceedings of an English Guarantor would therefore likely but not necessarily be based on English insolvency laws. There is for example a rebuttable presumption that the center of main interests will be in the jurisdiction of a company's registered office, but this presumption is not conclusive. Under the New EU Insolvency Regulation, territorial or secondary proceedings may be commenced against a company in other Member States of the European Union (except Denmark) even if the center of main interests is in England, provided that the company has an establishment in that other Member State. The effects of these proceedings would be restricted to the assets of the relevant company situated in that Member State. Further, the New EU Insolvency Regulation would not affect the jurisdiction of courts outside the European Union to open insolvency proceedings in respect of an English Guarantor in accordance with their local insolvency laws.

Accordingly, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced in respect of the English Guarantors or the outcome of such proceedings. The insolvency and other laws of different jurisdictions may be materially different from, or in conflict with, each other including in the areas of the rights of secured and other creditors, the ability to void preferential transfers, the priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdictions' laws should apply or would adversely affect your ability to enforce your rights under the Note Guarantees and/or the Collateral in these jurisdictions and limit any amounts that you may receive.

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar and it is not possible to predict with certainty the outcome of insolvency or similar proceedings with respect to an English Guarantor.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company, its directors or a creditor making an application for administration in court, the company, the directors of that company, or the holder of a ''qualifying floating charge'' (discussed below) making an application for administration out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of a liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

Under the Insolvency Act 1986, as amended (the ''**English Insolvency Act**''), a company is insolvent if it is unable to pay its debts. A company is deemed unable to pay its debts if it is insolvent on a ''cash flow'' basis (i.e., unable to pay its debts as they fall due or if it is insolvent on a ''balance sheet'' basis (i.e., the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities). Such insolvency is presumed if, among other matters, it fails either to satisfy a creditor's statutory demand for a debt exceeding £750 or to satisfy in full a judgment debt (or similar court order).

Certain obligations under the Senior Secured Notes are secured by English law-governed security interests. Therefore, English insolvency laws and other limitations could limit the enforceability of those security interests. Certain obligations under the Notes are governed by English law-governed guarantees, and therefore English insolvency laws and other limitations could limit the enforceability of those Guarantees.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the security interests and/or guarantees that are governed by English law. The application of these laws could adversely affect investors and their ability to enforce their rights and/or the security interests relating to the Senior Secured Notes and/or the guarantees relating to the Notes, and therefore may limit the amounts that investors may receive in an insolvency of an English company.

Fixed and Floating Charges

The security interests granted over the Collateral are a combination of fixed charge and floating charge security interests. Fixed charge security has a number of advantages over floating charge security: (i) an administrator appointed to the company which granted the floating charge can dispose of floating charge assets for cash or collect receivables charged by way of floating charge as though they were not subject to the charge, although the holder of the floating charge will have the same priority in respect of the proceeds of sale as he or she had in respect of the property/assets disposed of. Where the assets are disposed of for cash, the administrator or liquidator may use the proceeds and/or cash subject to a floating charge to meet certain statutory administration expenses (which can include the costs of continuing to operate the charged company's business whilst it is in administration) in priority to the claims of the floating charge holder (see (iii) below); (ii) a fixed charge over assets, even if created after the date of a floating charge over the assets, may rank prior to the floating charge over the relevant assets provided that the floating charge has not crystallised at the time the fixed charge is granted and the fixed charge holder had no notice of any restrictions on the grant of the relevant security interest; (iii) general costs and expenses (including the insolvency office-holder's remuneration) properly incurred in a winding-up or administration are payable out of floating charge assets, to the extent the assets of the company available for creditors generally are otherwise insufficient to meet them (subject to certain restrictions for the costs of litigation), in priority to floating charge claims (the same does not apply to fixed charge claims); (iv) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charged company so as to give a third party good title to the assets free of the floating charge; (v) floating charge security is subject to certain challenges under English insolvency law (please see ''Grant of Floating Charge'' below); and (vi) where the floating charge is not a security financial collateral arrangement, floating charge security is (a) subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and (b) subject to the claims of unsecured creditors in respect of a ring fenced amount of the proceeds (please see ''Prescribed Part'' below) but only to the extent the assets of the company available for unsecured creditors generally are otherwise insufficient to meet them (subject to certain restrictions for the costs of litigation incurred in a liquidation). This summary does not set out an exhaustive statement of the comparative disadvantages in floating charge security.

Under English law there is a possibility that a court could recharacterise as floating charges any security interests expressed to be created by a security document as fixed charges where (among other things) the chargee does not have the requisite degree of control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof, or does not exercise such control in practice as the description given to the charges in the relevant security document as fixed charges are not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, 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.

Administration and Administrative Receivership

Administration is an insolvency procedure under the English Insolvency Act, pursuant to which a company may be reorganized or its assets realized under the protection of a statutory moratorium. The purpose of the administration must be to achieve one of the following successive objectives: (i) rescuing the company as a going concern, or, if that is not reasonably practicable; (ii) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or, if that is not reasonably practicable; (iii) realizing property to make a distribution to one or more secured or preferred creditors provided that the interests of creditors as a whole are not unnecessarily harmed thereby.

A company may be put into administration either pursuant to a court order or via an out of court process. Broadly speaking (and subject to specific conditions), a company can be placed into administration by the court at the application of, among others, the company itself, its directors or one or more of its creditors (including contingent and prospective creditors). An administrator can also be appointed out of court by the company itself, its directors or by the holder of a qualifying floating charge over the assets of the company provided that such qualifying floating charge has become enforceable. In addition, the holder of a qualifying floating charge has the right to intervene in an administration application by applying to the court to appoint an alternative administrator or, in certain very specific circumstances, by blocking the appointment altogether by the appointment of an administrative receiver.

For the Security Agent (as the holder of the floating charge security) to be able 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'' and further, in the case of the appointment of an administrative receiver, the appointment must not be prohibited by the English Insolvency Act (meaning it must fall within one of the exemptions to the general prohibition which otherwise prevents the appointment of administrative receivers).

In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which: (i) states that the relevant statutory provision applies to it; (ii) purports to empower the holder to appoint an administrator of the company; or (iii) purports to empower the holder to appoint an administrative receiver within the meaning given by section 29(2) of the English Insolvency Act. The Security Agent will be the holder of a qualifying floating charge if such floating charge security, together with other forms of security, relate to the whole or substantially the whole of the property of the relevant English company and at least one such security interest is a qualifying floating charge. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English company's assets at the time that the floating charges are enforced will be a question of fact at that time.

The most relevant exception to the general prohibition on the appointment of an administrative receiver is the exception relating to ''capital market arrangements'' (as defined in the English Insolvency Act), which will apply if: (i) the issue of the Notes creates or is expected to create a debt of at least £50 million for the relevant company during the life of the capital markets arrangement; and (ii) the arrangement involves the issue of a ''capital markets investment'' (as defined in the English Insolvency Act). A ''capital markets investment'' includes (among other things) certain debt instruments within the scope of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) or, in the case of the Notes, an investment that is admitted to trading or designed to be admitted to trading on a ''foreign market.'' For the purposes of the English Insolvency Act, a ''foreign market'' has the same meaning given to ''relevant market'' in Article 67(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (SI 2001/1335). A ''relevant market'' as defined therein includes ''**EEA Markets**,'' and therefore the Luxembourg Stock Exchange.

Broadly speaking, an interim moratorium comes into effect when an application for an administration order (in the case of a court appointment) or a notice of intention to appoint an administrator is filed with the court. At the commencement of the appointment of an administrator, a full statutory moratorium applies, pursuant to which creditors cannot exercise their rights against the company, including, among other things, commencing a legal process against the company, winding up the company or enforcing security or repossessing goods in the company's possession under a hire purchase agreement without the consent of the administrator or permission of the court. Certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a ''security financial collateral arrangement'' (generally, a charge over cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226), as amended. The effect of the statutory moratorium is that were an English Guarantor to enter administration, it is possible that the security granted by it or the guarantee granted by it (other than security financial collateral arrangements) may not be enforced while it is in administration without leave of the court or consent of the administrator and, while any principal debt or guarantee obligation owed to it would be accelerated or could be demanded, no meaningful enforcement action could be taken in respect of any failure to pay. In addition, a secured creditor could not appoint an administrative receiver (to enforce its security), any administrative receiver already appointed would be required to vacate office and any receiver of part of an English Guarantor's property would be required to resign if requested to do so by the administrator (except a receiver of a part appointed under a charge subject to the application of the Financial Collateral Arrangement (No. 2) Regulations 2003).

Liquidation

Liquidation is a terminal insolvency procedure applicable to companies under the English Insolvency Act. There are three ways an English Guarantor may be placed into liquidation or be ''wound up;'' these are: (i) members' voluntary liquidation (which is a procedure available to solvent companies only); (ii) creditors' voluntary liquidation; and (iii) compulsory winding-up (a court-based procedure). There is no automatic statutory moratorium that applies as a result of the liquidation (although in the case of a compulsory winding-up by the courts, no proceedings or other actions may be commenced or continued against the relevant company except with the leave of the court and, in the case of a voluntary liquidation, a liquidator, or any creditor or contributory of the company, may apply for a stay), and the holders of security interests are entitled to take steps to enforce their security interests in all types of liquidation. Where a company is placed into liquidation under the English Insolvency Act, a creditor holding a valid mortgage, charge or other security interest will generally have four main options: (i) to realize the security, apply the proceeds towards discharge of the secured debt, and prove in the liquidation for any balance; (ii) to retain the security and not prove in the liquidation; (iii) to value the security and prove for any shortfall between that value and the value of the debt; and (iv) to surrender the security and prove for the full amount of the debt.

Priority of Claims

One of the primary functions of liquidation (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 insolvent company and to distribute the realizations made from those assets to its creditors. Under the English Insolvency Act and the Insolvency (England and Wales) 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'' (please see ''*Prescribed Part*'' below), 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, 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 regards the claims of secured creditors, the general priority of claims on insolvency is as follows:

Fixed charge security: holders of fixed charge security and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor, but only to the extent of the realizations from those secured assets or with respect to the asset in which they have a proprietary interest;

Floating charge security: indebtedness owed to floating charge holders will be satisfied according to the priority of the security provided that:

- the proceeds of any floating charge assets (i) which are also subject to fixed security will first be applied in discharge of indebtedness secured by that fixed security and (ii) must (to the extent the unsecured assets of the company are insufficient to meet them) be applied towards discharge of the expenses of the administration and/or liquidation proceedings and the company's preferential debts (see below) before they are distributed to the floating charge holder; and
- the prescribed part must be set aside out of floating charge realizations (please see ''Prescribed Part'' below)

As regards the company's unsecured debts, claims will be satisfied in the following order of priority:

First ranking claims: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);

Second ranking claims: ordinary preferential creditors. Preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date; and (iv) bank and building deposits eligible for compensation under the Financial Services Compensation Scheme (''**FSCS**'') up to the statutory limit. Secondary preferential debts include bank and building deposits eligible for compensation under the FSCS to the extent that claims exceed the statutory limit, and rank for payment after the discharge of the ordinary preferential debts. If there are insufficient unsecured asset realizations to satisfy them, these expenses and preferential debts are payable out of floating charge realizations in priority to the claims of the floating charge holder, the expenses being paid in priority to the preferential debts. The relevant liquidator or administrator must also set aside a certain percentage of sums realized from a disposal of floating charge assets and, where there are insufficient unsecured assets to discharge them, those funds must also be applied towards satisfaction of unsecured debts (please see ''*Prescribed Part*'' below);

Third ranking claims:

- firstly, provable debts of general unsecured creditors. However, any secured creditor not repaid in full from the realization of assets subject to its security can also claim the remaining debt due to it (a shortfall) from the insolvent estate as an unsecured claim. To pay a shortfall, the insolvency officeholder can only use realizations from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part in respect of a shortfall unless the Prescribed Part is sufficient to pay out all unsecured creditors;
- secondly, interest on the company's unsubordinated debts (at the higher of the applicable contractual rate and the official rate) in respect of any period after the commencement of liquidation proceedings, or after the commencement of any administration proceedings which either preceded such liquidation proceedings or which were converted into a liquidating administration. However, in the case of interest accruing on amounts due under the Senior Secured Notes or the Note Guarantees, such interest due to the holders of the Senior Secured Notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries;
- 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.

Fourth ranking claims: 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.

Subordinated creditors will be ranked according to the terms of the subordination.

Prescribed Part

An administrator, receiver (including an administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors. Under current law, this ring-fence applies to 50% of the first £10,000 of the relevant company's net property subject to the floating charge and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000.

Challenges to Guarantees and Security

There are circumstances under English insolvency law in which the granting by a company of security and guarantees can be challenged. In most cases this will only arise if an administrator or liquidator is appointed to the company within a specified period (as set out in more detail below) of the granting of the guarantee or security and, in addition, the company was ''unable to pay its debts'' when the security interest or guarantee was granted or it became ''unable to pay its debts'' as a result.

If security or a guarantee granted by an English Guarantor is challenged under the laws of England and Wales, and the court makes certain findings (as described further below), it may be permitted to:

- avoid or invalidate all or a portion of that an English Guarantor's obligations under the relevant security and/or guarantee provided by such English Guarantor;
- direct that the holders of the Notes return any amounts paid by or realized from such English Guarantor under a guarantee or security to the relevant English Guarantor or to fund for the benefit of the English Guarantor's creditors; and/or
- take other action that is detrimental to the holders of the Notes.

The Issuer and the Guarantors cannot be certain that, in the event that the onset of an English Guarantor's insolvency (as described further below) is within any of the requisite time periods set out below, the grant of a security interest or guarantee in respect of the Notes would not be challenged or that a court would uphold the transaction as valid.

Onset of Insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below), depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which (i) the court application for an administration order is issued, or (ii) the notice of intention to appoint an administrator is filed at court, or (iii) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be the same as for the initial administration. See ''*—England and Wales—Priority of Claims*'' above.

Connected Persons

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a ''connected person,'' then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out more particularly below).

A ''connected person'' of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences and invalid floating charges includes (among others):

- a party who is (i) a director of the company; (ii) a shadow director; (iii) an associate of such director or shadow director; or (iv) an associate of the relevant company;
- a party is associated with an individual if they are (i) a relative of the individual; (ii) the individual's husband, wife or civil partner; (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;
- a party is associated with a company if they are employed by that company; and
- 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 person by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

The following potential grounds for challenge may apply to guarantees and security interests:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside a security interest or a guarantee granted by the company (or give other relief) on the grounds that the creation of such security interest or guarantee constituted a transaction at an undervalue. The grant of a security interest or guarantee will only 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. For a challenge to be made, the guarantee or security must be granted within a period of two years ending with the onset of insolvency (as defined in section 240 of the Insolvency Act, as amended). A court will not generally make an order in respect of a transaction at an undervalue 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 the company. Subject to this, 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 guarantees or setting aside any security interests or guarantees, although there is protection for a third party which benefits from the transaction and has acted in good faith for value). In any challenge proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction was a ''connected person'' (as defined in the English Insolvency Act), in which case there is a presumption the company was unable to pay its debts and the connected person must demonstrate the company was not unable to pay its debts in such proceedings.

Preference

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside a security interest or a guarantee granted by such company (or give other relief) on the grounds that such a security interest or guarantee constituted a preference. The grant of a security interest or guarantee is a preference if it has the effect of placing an existing creditor (or a surety or guarantor of the company) in a better position in the event of the company's insolvent liquidation than if the security interest or guarantee had not been granted. For a challenge to be made, the grant of the security interest or guarantee must be made within the period of six months ending with the onset of insolvency (as defined in section 240 of the English Insolvency Act) if the beneficiary of the security interest or the guarantee is not a connected person, or two years if the beneficiary is a connected person. A court will not make an order in respect of a preference of a person unless it is satisfied the company was influenced in deciding to give it by a desire to produce the ''better position'' for that person. Case law suggests that there must be a desire to prefer one creditor over another and not just other commercial motives even if they had the inevitable result of producing the better position. Subject to this, if the court determines that the transaction was a preference, the court can make such orders as it thinks fit to restore 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). There is protection for a third party which benefits from the transaction and acted in good faith for value. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such desire.

Transaction Defrauding Creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the 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 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. This provision may be used by any person who claims to be a ''victim'' of the transaction (with leave of the court if the company is in liquidation or administration) and is not therefore limited to liquidators or administrators. There is no statutory time limit in the English insolvency legislation within which the challenge must be made (subject to the normal statutory limitation periods) and the relevant company does not need to be insolvent at the time, or as a result of, the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. However, such an order: (i) cannot prejudice any interest in property which was acquired from a person other than the debtor in good faith, for value and without notice of the relevant circumstances; and (ii) cannot 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 can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English company in the period up to three years before the day on which that company entered into administration or went into liquidation. 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.

Grant of Floating Charge

Under English insolvency law, if a company is unable to pay its debts at the time of (or as a result of) granting a floating charge then such floating charge can be avoided on the action of a liquidator or administrator if it was granted in the period of one year ending with the onset of insolvency (as defined in section 245 of the English Insolvency Act) (or two years in the case of a floating charge in favor of a connected person). The floating charge will, however, be validated to the extent of the value of the consideration provided for the creation of the charge in the form of money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant company at the same time as or after the creation of the floating charge plus interest payable on such amounts. Where the floating charge is granted to a ''connected person'' the prerequisite to challenge that the company is unable to pay its debts does not apply. However, if the floating charge qualifies as a ''security financial collateral arrangement'' under the Financial Collateral Regulations, the floating charge will not be subject to challenge as described in this paragraph.

Onerous Property

Under English insolvency law, a liquidator (but not an administrator or administrative receiver) of a company may also, by giving a prescribed notice, disclaim any ''onerous property'' (being property which is unsaleable or not readily saleable or is such that it may give rise to a liability to pay money or perform any other onerous act) The disclaimer determines the rights, interests and liabilities of the company in the relevant property. A person sustaining loss or damage as a result of the disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and may prove for the loss or damage in the winding-up.

Account Banks' Right to Set-off

With respect to English law governed charges over cash deposits (each an ''**Account Charge**'') granted by a chargor over any of its bank accounts, the banks with which some of those accounts are held (each an ''**Account Bank**'') may have reserved their right at any time (whether prior to or upon a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangement with that chargor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's netting and set-off rights with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant chargor) the Account Bank will no longer be entitled to exercise its netting and set-off rights in relation to the account, except where the Account Banks have expressly reserved set-off rights.

Equitable Share Security

Security over shares granted by certain English Guarantors or over shares of an English Guarantor are equitable charges, not legal mortgages or pledges. 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 are otherwise at the discretion of the court.

Limitation on Enforcement

The grant of an English law governed guarantee or security interest by any obligor guaranteeing or securing (as the case may be) the obligations of another company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective obligor's memorandum and articles of association (or equivalent constitutional documents). To the extent these do not allow such an action, there is the risk that the grant of the Note Guarantee and the subsequent Collateral 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 obligor in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English Guarantor 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 considers, in good faith, would be most likely to promote success of the relevant obligor 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 as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Under the Companies Act 2006, subject to limited exceptions, any security (including where not governed by English law) granted by a chargor incorporated in England and Wales (together with prescribed particulars of the security constituted thereby) must be received by the Registrar of Companies in England and Wales for registration within 21 days after the date of creation of the security constituted by the applicable security document. Such security, if not registered within the 21 day period, will be deemed to be void against a liquidator, administrator and a creditor of the applicable chargor. Further, failure to register also means that the debt which was intended to be secured is deemed to have become immediately payable.

In the event where the relevant security document is not registered, a chargor incorporated in England and Wales may be required to enter into a new security document and register that with Companies House within 21 days of its creation.

Alternatively it may be possible to apply to the English courts for an order to rectify the position and allow the charge to be registered after the 21 day period has expired. This application can be made by a chargor incorporated in England and Wales or by any person interested in the relevant security. The court will grant leave to register the security out of time if it considers it ''just and expedient'' to do so, and will have particular regard to whether the failure to register was merely accidental and whether a late registration will prejudice the position of creditors or shareholders. The court order will have to be enclosed with any delayed application for registration of the security.

Security created on or after October 1, 2011 by overseas companies over assets in England and Wales does not need to be registered with the Registrar of Companies (although they may still need to be registered with the applicable asset registry).

Guarantees and security granted by a guarantor or security provider incorporated in England and Wales as a public company are also subject to limitations to the extent they would result in unlawful financial assistance within the meaning of the Companies Act 2006.

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 sterling at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing on the relevant date. If a creditor considers the rate to be unreasonable, they may apply to the court.

Schemes of Arrangement

Pursuant to Part 26 of the Companies Act 2006 the English courts have jurisdiction to sanction a compromise or arrangement between a company and its creditors (or classes of creditors) where such company (i) is liable to be wound-up under the English Insolvency Act; and (ii) has ''sufficient connection'' to the English jurisdiction.

In practice, in addition to applying to English companies, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied by the English courts where, among other things, the company has assets situated in England, the company's center of main interests is in England, the company's finance documents are English law governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. The law in this area is being closely considered by the English courts and the fact that the second limb has been found to be satisfied in such cases previously does not necessarily mean that this will be satisfied in all such cases as each case will be considered on its particular facts and circumstances.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise or arrangement can be proposed by the company or its creditors. If a majority in number representing 75% or more in value of those creditors present and voting at the creditors' meeting of each class vote in favor of the proposed compromise, irrespective of the terms and approval thresholds contained in the finance documents, that compromise will be binding on all affected creditors, including those affected creditors who did not participate in the vote on the scheme of arrangement and those who voted against the scheme of arrangement. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the scheme and consider whether it is reasonable. The court has the discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made to the scheme, or reject the scheme.

Company Voluntary Arrangements

Pursuant to Part I of the English Insolvency Act, a company can request that its unsecured creditors consent to a compromise of their debts. The company may propose whatever compromise it wishes and, provided that compromise is approved by the requisite majority of creditors at a creditors' meeting, it will bind all unsecured creditors of the company who were entitled to vote whether or not they had notice of or voted at the creditors' meeting.

In order for the company voluntary arrangement to be passed, it must be approved by 75% or more in value of creditors present and voting on the resolution to approve the arrangement, provided that those who vote against it represent 50% or less in value of those creditors who had notice of the meeting and who are not connected to the company.

Jersey

Insolvency

Simon Holdco is incorporated in Jersey and is subject to Jersey insolvency laws which may pose particular risks for holders of the Notes with respect to the enforcement of the Note Guarantees and the Collateral.

Simon Holdco is incorporated under the laws of Jersey. Consequently, in the event of an insolvency of Simon Holdco, insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: ''désastre'' 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 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 ''désastre'', title and possession of the property of the debtor vest automatically in the Viscount, an official of the Royal Court (the ''**Viscount**''). With effect from the date of declaration, subject to what is set out below, 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 but may prove in the désastre. With effect from the date of declaration, a secured party may, however, without the consent of the Viscount and without an order of the 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 proceeded with against the company except with the leave of 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 court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved (although the powers of the liquidator shall, subject to the sanction of the court or the creditors (or a validly appointed committee of the creditors), be limited to such powers as may be required for the company's beneficial winding-up). 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 (inter alia) three quarters in number and value of the creditors acceded to the arrangement.

Transactions at an Undervalue

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the 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 "*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.

Preference

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the 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 "*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 Credit Transactions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the 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.

Disclaimer of Onerous Property

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of ''*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/debtor from all liability in respect of the property as of the date of 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 ''*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.

Fraudulent Dispositions

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.

Floating Charges

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 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 Courts of Jersey in respect of Jersey situs assets.

Administrators, Receivers and Statutory and Non statutory Requests for Assistance

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 Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

However, under Article 49(1) of the Jersey Bankruptcy Law, the Jersey court may assist the courts of prescribed countries and territories in all matters relating to the insolvency of any person to the extent that the Jersey court thinks fit. These prescribed jurisdictions include the United Kingdom. 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 the request comes from a prescribed country but not by a court-made request or from a non-prescribed country, then common law and principles of comity will be considered by the Royal Court by virtue of its inherent jurisdiction. If insolvency proceedings are afoot 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. If the requesting country adheres to principles of territoriality, as opposed to universality, and, for instance, ring-fences assets for local creditors, full cooperation is highly unlikely. If, however, the jurisdiction applies similar fundamental principles to those applied in Jersey, the Royal Court's approach is more likely to be similar to the position where prescribed countries are involved.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Royal Court. It would also be wrong to assume for European countries that the position will be in accordance with the EU Insolvency Regulation. Jersey does not form part of the European Union for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of center of main interests does not apply as a result.

Enforcement of Security and Security in Insolvency

Enforcement of a security interest against a Jersey company may be limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors, but insolvency or bankruptcy alone will not render such security interest invalid or non-binding on the parties thereto or any liquidator of a Jersey company or the Viscount in a *désastre* of a Jersey company's property.

Under Jersey law, security over Jersey situs assets is created in accordance with the provisions of Jersey law. The shares of the Issuer and New Luxco in Simon Holdco 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 (being the grantor (subject to it having waived this requirement), 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.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application will be made for the Notes to be listed on the Official List of the LuxSE and admitted to trading on the Euro MTF Market, in accordance with the rules and regulations of such exchange.

Listing Information

For so long as the Notes are listed on the Official List of the LuxSE and are admitted to trading on the Euro MTF Market and the rules and regulations of the LuxSE so require, copies of the following documents may be inspected and obtained free of charge at the specified office of the Luxembourg listing agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the organizational documents of the Issuer and the Guarantors;
- the financial statements included in this Offering Memorandum;
- the security documents;
- the Indenture (including the Note Guarantees); and
- the Intercreditor Agreement.

The Issuer has appointed Citibank, N.A., London Branch as transfer agent and as registrar and to make payments on and, when applicable, transfers of the Notes. The Issuer reserves the right to vary such appointments in accordance with the terms of the relevant Indenture.

Approval

The Issuer and the Guarantor have obtained all necessary consents, approvals, authorizations or other orders for the issuance of the Notes and the Note Guarantees and the other documents to be entered into by the Issuer and the Guarantors in connection with the issuance of the Notes in Luxembourg.

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes 168101716 and 168101775, respectively. The international securities identification number for the Notes sold pursuant to Regulation S is XS1681017163 and the international securities identification number for the Notes sold pursuant to Rule 144A is XS1681017759.

Additional Information about the Issuer

The Issuer was incorporated as a public limited liability company (société anonyme) under the laws of Luxembourg on June 1, 2015 for an unlimited duration. The registration address is 488 route de Longwy, L-1940 Luxembourg, and it is registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B 197.551. The Issuer's articles of association were initially published on August 18, 2015. The Issuer publishes its annual financial statements with the Luxembourg Trade and Companies Register. There has been no material adverse change in the prospects of the Issuer since its last audited financial statements dated December 31, 2016. The issuer does not produce interim financial statements.

For the objects of the Issuer, please refer to clause 3 of its articles of association. Principal objects include the following: to act as an investment holding company, to carry on any trade or business whatsoever, to invest and deal with the its own money and funds, to borrow, raise and secure the payment of money, to acquire an interest in, amalgamate, merge or consolidate with and enter into partnership, to enter into any guarantee or contract of indemnity or suretyship or to provide security, to purchase, lease, exchange, hire, acquire or dispose any property real or personal, and any other activities including entering into contracts and agreements that its board of directors believes is incidental or conducive to attaining the company's objects.

For information about the Issuer's share capital, please refer to clause 5 of its articles of association. The subscribed share capital of the Issuer is €5,000,000.05 divided into 500,000,005 shares with a par value of €0.01 each, all of which are fully paid up. The shares are in registered form.

The Issuer is not party to any material litigations nor aware of any material pending litigations.

Additional Information about the Group

Other than as disclosed in this Offering Memorandum, the Group is not party to any other material litigations nor aware of any material pending litigations. Other than as described in this Offering Memorandum, there has been no material adverse change in the prospects of the group since its last audited financial statements dated December 31, 2016.

Additional Information about the Guarantors

Additional Lowell Holding Information

Lowell Holding was incorporated as a limited liability company (Gesellschaft mit beschränkter Haftung) under the laws of Germany on April 9, 2015 for an unlimited duration. Garfunkel Holding has a share capital of €25,000, comprised of 25,000 shares with a par value of €1 each, each being fully paid up. Lowell Holding's registered name is Lowell Holding GmbH (previously Garfunkel Holding GmbH). Its principal executive office is at Mark-Twain-Straße 4, 81245 München and Mr. Peter-Juergen Haac is the managing member. Lowell Holding is registered with the commercial register at the local court (Amtsgericht) of Frankfurt/Main under registration number HRB 101898. Lowell Holding's object, as referenced in its articles of association, is the administration of its own funds as well as the acquisition, holding and administration of companies and the provision of services towards associated companies.

Additional Simon Bidco Information

Simon Bidco was incorporated as a private company limited by shares under the laws of England and Wales on July 29, 2015 and is a wholly-owned subsidiary of Simon Midco. It was formed for the purpose of facilitating the Acquisition and other future potential transactions, and its share capital is comprised of 1000 ordinary shares with a nominal value of €0.01 each, 1000 preference shares with a nominal value of €0.01 each and one PBA share with a nominal value of €1.00. All shares within each class of shares are fully paid up. For additional information about its share capital, refer to part 3 of Simon Bidco's articles of association. Simon Bidco's Companies House registration number is 9709443, and its registered address is 80 Pall Mall, London, United Kingdom.

Additional Simon Midco Information

Simon Midco was incorporated as a private company limited by shares under the laws of England and Wales on August 8, 2015 and is a wholly-owned subsidiary of Simon Holdco. It was formed for the purpose of facilitating the Acquisition and other future potential transactions, and its share capital is comprised of 1000 ordinary shares with a nominal value of €0.01 each, 1000 preference shares with a nominal value of €0.01 each and one PBA share with a nominal value of €1.00. All shares within each class of shares are fully paid up. For additional information about its share capital, refer to part 3 of Simon Midco's articles of association. Simon Midco's Companies House registration number is 9722126, and its registered address is 80 Pall Mall, London, United Kingdom.

Additional Simon Holdco Information

Simon Holdco was incorporated as a limited company under the laws of Jersey on August 10, 2015 and is controlled by the Senior Secured Notes Issuer. It was formed for the purpose of facilitating the Acquisition and other future potential transactions, and it has a share capital of aggregate par value of €200,000,014.97, comprised of one ordinary share with a par value of € 0.0135, 4,146 ordinary shares with a par value of €50,000 each, 1,396 non-voting OTPP top-up shares with a par value of €0.01 each and 1 PBA share with a par value of €1.00. All shares within each class of shares are fully paid up. Simon Holdco's company number is 119216, and its registered address is 47 Esplanade, St. Helier, Jersey.

Additional Metis Bidco Limited Information

Metis Bidco Limited was incorporated as a private limited company under the laws of England and Wales on May 31, 2011 and is wholly-owned subsidiary of Simon Bidco. It was formed for the purpose of facilitating acquisitions and other future potential transactions, and it has a share capital of £167,087,968.43 aggregate nominal value, comprised of 19,342 ordinary D shares with a nominal value of £0.01 each, 940,478 ordinary A shares with a nominal value of £1.00 each, 209,122 ordinary B shares with a nominal value of £1.00 each, 128,082 ordinary C shares with a nominal value of £1.00 each, 165,810,093 non-voting preference shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Metis Bidco's company number is 07652466, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Finance Holdings Limited Information

Lowell Finance Holdings Limited was incorporated as a private limited company under the laws of England and Wales on March 12, 2012 and is wholly-owned subsidiary of Metis Bidco Limited. It was formed as a holding company, and it has a share capital of £182,913,396.01 aggregate nominal value, comprised of 182,913,396 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Finance Holdings Limited's company number is 07987062, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Group Limited Information

Lowell Group Limited was incorporated as a private limited company under the laws of England and Wales on March 7, 2008 under the name ''De Facto 1617 Limited,'' and it adopted its current name on March 19, 2008. It is wholly-owned subsidiary of Lowell Finance Holdings Limited. It was formed as a holding company, and it has a share capital of £18,291,339.61 aggregate nominal value, comprised of 182,913,396 ordinary A shares with a nominal value of £0.10 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Group Limited's company number is 06527689, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Funding Limited Information

Lowell Funding Limited was incorporated as a private limited company under the laws of England and Wales on March 7, 2008 under the name ''De Facto 1616 Limited,'' and it adopted its current name on March 19, 2008. It is wholly-owned subsidiary of Lowell Group Limited. It was formed as a holding company, and it has a share capital of £817,457.01 aggregate nominal value, comprised of 817,457 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Funding Limited's company number is 06527632, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Acquisitions Limited Information

Lowell Acquisitions Limited was incorporated as a private limited company under the laws of England and Wales on March 7, 2008 under the name ''De Facto 1615 Limited,'' and it adopted its current name on March 19, 2008. It is wholly-owned subsidiary of Lowell Funding Limited. It was formed as a holding company, and it has a share capital of £817,457.01 aggregate nominal value, comprised of 817,457 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Acquisitions Limited's company number is 06527618, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Holdings Limited Information

Lowell Holdings Limited was incorporated as a private limited company under the laws of England and Wales on March 10, 2004 under the name ''Precis (2410) Limited,'' and it adopted its current name on June 24, 2004. It is wholly-owned subsidiary of Lowell Acquisitions Limited. It was formed as a holding company, and it has a share capital of £1,000.01 aggregate nominal value, comprised of 1,000 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Acquisitions Limited's company number is 05069357, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Finance Limited Information

Lowell Finance Limited was incorporated as a private limited company under the laws of England and Wales on March 10, 2004 under the name ''Precis (2411) Limited,'' and it adopted its current name on June 24, 2004. It is wholly-owned subsidiary of Lowell Holdings Limited. It was formed as a holding company, and it has a share capital of £151,000.01 aggregate nominal value, comprised of 151,000 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Finance Limited's company number is 05069513, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Interlaken Group Limited Information

Interlaken Group Limited was incorporated as a private limited company under the laws of England and Wales on March 4, 1996 under the name ''Fredrickson Holdings Limited,'' and it adopted its current name on October 13,2010. It is wholly-owned subsidiary of Lowell Finance Limited. Its principal activities are that of a holding company, and it has a share capital of £10,000.01 aggregate nominal value, comprised of 10,000 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Finance Limited's company number is 03167536, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Solicitors Limited Information

Lowell Solicitors Limited was incorporated as a private limited company under the laws of England and Wales on March 4, 1996 under the name ''Lowell Portfolio V Limited,'' and it adopted its current name on March 23, 2015. It is wholly-owned subsidiary of Lowell Finance Limited. It has not yet engaged in business activities since its formation, and it has a share capital of £1.00 aggregate nominal value, comprised of one ordinary A shares with a nominal value of £1.00. This single share is fully paid up. Lowell Finance Limited's company number is 08647091, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Financial Limited Information

Lowell Financial Limited was incorporated as a private limited company under the laws of England and Wales on October 10, 2002 under the name ''Premier Seekers Limited,'' and it adopted its current name on July 7, 2004. It is wholly-owned subsidiary of Lowell Finance Limited. Its principal activities include providing debt collection agency services to other Lowell group companies, and it has a share capital of £22,490,000.11 aggregate nominal value, comprised of 224,900,001 ordinary A shares with a nominal value of £0.10 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Financial Limited's company number is 04558936, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Portfolio I Limited Information

Lowell Portfolio I Limited was incorporated as a private limited company under the laws of England and Wales on August 6, 2003 under the name ''Precis (2414) Limited,'' and it adopted its current name on March 12, 2010. It is wholly-owned subsidiary of Lowell Finance Limited. Its principal activities include the acquisition and collection of non-performing consumer debt portfolios, and it has a share capital of £2.00 aggregate nominal value, comprised of two ordinary A shares with a nominal value of £1.00 each. All shares are fully paid up. Lowell Portfolio I Limited's company number is 04857418, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Tocatto Limited Information

Tocatto Limited was incorporated as a private limited company under the laws of England and Wales on March 10, 2004 under the name ''R2O Services Limited,'' and it adopted its current name on June 24, 2004. It is wholly-owned subsidiary of Lowell Finance Limited. Its principal activities prior to December of 2013 included the provision of tracing and debt collection services to the debt collection industry. After December 2013, its principal business activity consisted of preparing to discontinue operations. It has a share capital of £1,000,002 aggregate nominal value, comprised of 1,000,002 ordinary A shares with a nominal value of £1.00 each. All shares are fully paid up. Tocatto Limited's company number is

05069843, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional SRJ Debt Recoveries Limited Information

SRJ Debt Recoveries Limited was incorporated as a private limited company under the laws of England and Wales on March 5, 2004. It is wholly-owned subsidiary of Interlaken Group Limited. Its principal activities consist of the provision of debt collection agency services, and it has a share capital of £133.33 aggregate nominal value, comprised of 100,000 ordinary A shares with a nominal value of £0.001 each and 33,333 ordinary B shares with a nominal value of £0.001 each. All shares within each class of shares are fully paid up. SRJ Debt Recoveries Limited's company number is 05064551, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Fredrickson International Limited Information

Fredrickson International Limited was incorporated as a private limited company under the laws of England and Wales on January 15, 1992. It is wholly-owned subsidiary of Interlaken Group Limited. Its principal activities consist of the provision of debt collection agency services, and it has a share capital of £10,000.01 aggregate nominal value, comprised of 10,000 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01 each. All shares within each class of shares are fully paid up. Fredrickson International Limited's company number is 02679522, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Parent Information

The Parent was incorporated as a public limited liability company (société anonyme) under the laws of Luxembourg on June 1, 2015 for an unlimited duration. The registration address is 488 route de Longwy, L- 1940 Luxembourg, and it is registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B 197.497. The Parent's articles of association were initially published on August 7, 2015.

For the objects of the Parent, please refer to clause 3 of its articles of association. Principal objects include the following: to act as an investment holding company, to carry on any trade or business whatsoever, to invest and deal with the its own money and funds, to borrow, raise and secure the payment of money, to acquire an interest in, amalgamate, merge or consolidate with and enter into partnership, to enter into any guarantee or contract of indemnity or suretyship or to provide security, to purchase, lease, exchange, hire, acquire or dispose any property real or personal, and any other activities including entering into contracts and agreements that its board of directors believes is incidental or conducive to attaining the company's objects.

For information about the Parent's share capital, please refer to clause 5 of its articles of association. The subscribed share capital of the Parent is €5,000,000.04 divided into 500,000,004 shares with a par value of €0.01 each, all of which are fully paid up. The shares are in registered form.

Additional GFKL Holdco Information

Lowell Financial Services GmbH (previously GFKL Financial Services GmbH) is a limited liability company (Gesellschaft mit beschränkter Haftung) incorporated as Pro Lease Leasinggesellschaft mbh & Co. KG under the laws of the Federal Republic of Germany on October 28, 1997 and was subsequently transformed into a stock corporation (Aktiengesellschaft) and renamed to Gesellschaft für Kommunal-Leasing Aktiengesellschaft. Following the acquisition by Lowell Holding of certain additional shares in GFKL Financial Services Aktiengesellschaft and following the squeeze-out of minority shareholders pursuant to Sections 327a et seq. of the German Stock Companies Act (Aktiengesetz) on March 1, 2016, GFKL Financial Services Aktiengesellschaft converted into a Gesellschaft mit beschränkter Haftung (GmbH), a German limited liability company, GFKL Financial Services GmbH. On September 19, 2017, GFKL Financial Services GmbH changed its name to Lowell Financial Services GmbH. GFKL Holdco has a share capital of €25,883,791, comprised of two shares with a par value of €25,883,790 and €1, respectively, each being fully paid up. Corporate seat and principal executive office of the company is at Am Europa Center 1 b, 45145, Essen, Germany. GFKL Holdco is registered with the commercial register at the local court (Amtsgericht) of Essen under registration number HRB 27063.

Additional Proceed Collection Services GmbH Information

Proceed Collection Services GmbH is a limited liability company (Gesellschaft mit beschränkter Haftung) incorporated as Hansen & Schucht Debitorenmanagement GmbH under the laws of the Federal Republic of Germany on November 20, 1997. Proceed Collection Services GmbH has a share capital of €325,000, comprised of three shares with a par value of €300,000, €15,000 and €10,000, respectively, each, each being fully paid up. Corporate seat and principal executive office of the company is at Am Europa Center 1b, 45145 Essen, Germany. Proceed Collection Services GmbH is registered with the commercial register at the local court (Amtsgericht) of Essen under registration number HRB 20137. The primary activity of the company is the collection of debt on behalf of third parties.

Additional Sirius Inkasso GmbH Information

Sirius Inkasso GmbH is a limited liability company (Gesellschaft mit beschränkter Haftung) incorporated under the laws of the Federal Republic of Germany on July 21, 2003. Sirius Inkasso GmbH has a share capital of €25,000, comprised of two shares with a par value of €15,000 and €10,000, respectively, each being fully paid up. Corporate seat and principal executive office of the company is at Werdener Straße 4, 40227 Düsseldorf, Germany. Sirius Inkasso GmbH is registered with the commercial register at the local court (Amtsgericht) of Düsseldorf under registration number HRB 48291. The company's principal activity centers on the sale, purchase, administration and collection of debt in its own name or in the name of third parties.

Additional GFKL Collections GmbH Information

GFKL Collections GmbH is a limited liability company (Gesellschaft mit beschränkter Haftung) incorporated as SNT Inkasso Verwaltungs GmbH under the laws of the Federal Republic of Germany on October 25, 2004 and subsequently renamed to SNT Inkasso & Forderungsmanagement GmbH. GFKL Collections GmbH has a share capital of €26,000, comprised of three shares with a par value of €24,750, €250 and €1,000, respectively, each being fully paid up. Corporate seat and principal executive office of the company is at Edison-Allee 1, 14473 Potsdam, Germany. GFKL Collections GmbH is registered with the commercial register at the local court (Amtsgericht) of Potsdam under registration number HRB 18804 P. The company's principal activity centers on collection of external debt.

Additional Inkasso Becker Wuppertal GmbH & Co. KG and IBW Verwaltungs- und Beteiligungs GmbH Information

Inkasso Becker Wuppertal GmbH & Co. KG is a limited partnership with a limited liability company as a general partner (GmbH & Co. KG) incorporated as Dieter Becker Inkassobüro under the laws of the Federal Republic of Germany on December 28, 1970 and subsequently renamed to INKASSO BECKER WUPPERTAL Dieter Becker GmbH & Co KG. The capital contribution of the general partner of INKASSO BECKER WUPPERTAL GmbH & Co. KG amounts to €1,000,000. Corporate seat and principal executive office of the company is at Hofaue 46, 42103 Wuppertal, Germany. INKASSO BECKER WUPPERTAL GmbH & Co. KG is registered with the commercial register at the local court (Amtsgericht) of Wuppertal under registration number HRA 15353.

The general partner of Inkasso Becker Wuppertal GmbH & Co. KG, IBW Verwaltungs- und Beteiligungs GmbH, is a limited liability company (Gesellschaft mit beschränkter Haftung) incorporated as Becker Verwaltungs- und Beteiligungs GmbH under the laws of the Federal Republic of Germany on February 2, 2003. IBW Verwaltungs- und Beteiligungs GmbH has a share capital of DEM 50,000, comprised of one share with a par value of DEM 50,000, being fully paid up. Corporate seat and principal executive office of the company is at Hofaue 46, 42103 Wuppertal, Germany. IBW Verwaltungs- und Beteiligungs GmbH is registered with the commercial register at the local court (Amtsgericht) of Wuppertal under registration number HRB 7117.

The primary activity of the company is the operation of a debt collection company and provision of services relating to data processing, factoring and similar businesses.

UNAUDITED *PRO FORMA* CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Introduction

The Unaudited *Pro Forma* Condensed consolidated financial information (the ''**Unaudited *Pro Forma* Condensed Consolidated Financial Information**'') of Garfunkelux Holdco 2 S.A. (in the following ''**Garfunkel**'') has been prepared to reflect the acquisitions of 100% of the shares of Carl Holding GmbH (in the following ''**Carl**'') including the acquisition of any ordinary shares in GFKL Financial Services AG (in the following ''**GFKL**'') held by minority shareholders subject to squeeze-out pursuant to Sections 327a *et seq.* of the German Stock Companies Act (*Aktiengesetz*) and of the 100% of the shares of Metis Bidco Limited (in the following ''**Metis**'') as well as the related redemption of certain existing Carl and Metis indebtedness and the incurrence of indebtedness under the notes described in sections 3.2 and 3.3 of the Unaudited *Pro Forma* Condensed Consolidated Financial Information below. The Unaudited *Pro Forma* Condensed Consolidated Financial Information comprises unaudited *pro forma* consolidated income statements for the 6-month period ended June 30, 2015, the 12-month period ended December 31, 2015 and the 12-month period ended June 30, 2016 together with the related notes thereto.

The purpose of the Unaudited *Pro Forma* Condensed Consolidated Financial Information is to show the material effects the acquisitions of Carl and Metis by Garfunkel would have had on the historical consolidated financial statements of Garfunkel if Garfunkel had already existed in the structure created by the above described acquisitions as of January 1, 2015 with respect to the unaudited *pro forma* condensed consolidated income statements for the 6-month period ended June 30, 2015, the 12-month period ended December 31, 2015 and the 12-month period ended June 30, 2016.

The following Unaudited *Pro Forma* Condensed Consolidated Financial Information is presented for illustrative purposes only. Due to its nature, the Unaudited *Pro Forma* Condensed Consolidated Financial Information describes only a hypothetical situation and, therefore, does not purport to represent what the actual consolidated results of the operations of Garfunkel would have been when the transactions occurred, nor is it necessarily indicative of Garfunkel consolidated income statements after the completion of the transactions, nor is it necessarily indicative of future consolidated income statements of Garfunkel. Therefore, the actual consolidated income statement of Garfunkel after the acquisitions may differ significantly from those reflected in the Unaudited *Pro Forma* Condensed Consolidated Financial Information. Furthermore, the Unaudited *Pro Forma* Condensed Consolidated Financial Information is only meaningful when read in conjunction with the historical consolidated financial statements of Garfunkel.

The Unaudited *Pro Forma* Condensed Consolidated Financial Information has been prepared by Garfunkel as of September 8, 2016.

Unless stated otherwise, all figures are shown in millions of pounds sterling. All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated.

2. Historical Financial Information

The Unaudited *Pro Forma* Condensed Consolidated Financial Information is based on the following historical financial information:

- Unaudited interim consolidated financial statements of Garfunkel as of June 30, 2015 and for the period from June 1, 2015 (date of incorporation) to June 30, 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in the following ''IFRS'').
- Unaudited interim condensed consolidated financial statements of Garfunkel as of June 30, 2016 and for the period from January 1, 2016 to June 30, 2016 prepared in accordance with IAS 34—Interim financial reporting.
- The historical financial information for Garfunkel for the period from July 1, 2015 to June 30, 2016 has been calculated by the addition of the period from January 1, 2016 to June 30, 2016 as noted above and the period from July 1, 2015 to December 31, 2015. The period from July 1, 2015 to December 31, 2015 has been calculated by deducting the 1 month period from June 1, 2015 (the date of incorporation) to June 30, 2015 from the audited financial statements for the period from June 1, 2015 (the date of incorporation) to December 31, 2015.

- The audited consolidated financial statements of Garfunkel as of December 31, 2015 and for the period from June 1, 2015 (date of incorporation) to December 31, 2015 prepared in accordance with IFRS.
- Unaudited and unpublished interim consolidated income statement of Carl for the period from January 1, 2015 to June 30, 2015, which was derived from the unaudited and published IAS 34 interim condensed consolidated financial statements of GFKL as of and for the 6-month period ended June 30, 2015 and Carl's accounting records.
- Unaudited and unpublished interim consolidated income statements of Metis for the periods from January 1, 2015 to June 30, 2015, January 1, 2016 to June 30, 2016, audited and unpublished consolidated income statements for the period from October 13, 2015 to December 31, 2015 and the unaudited and unpublished consolidated income statements for the period from January 1, 2015 to December 31, 2015 and published IFRS consolidated financial statements of Metis for the 15-month period ended December 31, 2015 and Metis' accounting records.

The unaudited historical financial information used for Carl and for Metis were both adjusted to the accounting policies of Garfunkel, which are based on IFRS as adopted in the European Union and disclosed in the unaudited and—together with this Unaudited *Pro Forma* Condensed Consolidated Financial Information—condensed consolidated financial statements of Garfunkel as of June 30, 2015 and as of June 30, 2016 and, together with the audited consolidated financial statements of Garfunkel as of December 31, 2015.

3. Basis of preparation

3.1. Preparation Principles

The Unaudited *Pro Forma* Condensed Consolidated Financial Information presents the *pro forma* financial position and results from operations of the consolidated companies based upon the historical consolidated financial information of Garfunkel after giving effect to the transactions, based on certain *pro forma* assumptions as described in these *pro forma* notes.

The historical consolidated financial information of Garfunkel has been adjusted to give effect to *pro forma* adjustments that are (1) directly attributable to the acquisitions and (2) factually supportable. The Unaudited *Pro Forma* Condensed Consolidated Financial Information does not reflect anticipated operating efficiencies, cost savings, sales or income enhancements or other synergies that may be achieved by the transactions.

The Unaudited *Pro Forma* Condensed Consolidated Financial Information is based upon currently available information and estimates and *pro forma* assumptions that Garfunkel believes are reasonable as of the date hereof. Any of the factors underlying these estimates and *pro forma* assumptions may change or prove to be materially different, and the estimates and assumptions may not be representative of facts existing at the effectiveness of the transactions.

The Unaudited *Pro Forma* Condensed Consolidated Financial Information does not reflect any changes in the business of Carl or Metis or any other changes arising from the transactions since June 30, 2016.

The accounting principles applied for the preparation of the Unaudited *Pro Forma* Condensed Consolidated Financial Information on the above described transactions are as follows:

General accounting principles

For the purpose of converting Garfunkel's historical condensed consolidated financial statements for the one month period (from the date of incorporation) ended June 30, 2015 and the 6-month period ended June 30, 2016, together with the audited financial statements for the 7-month period (from incorporation) ended December 31, 2015, the results were converted by using the prevailing euro to sterling average exchange rates. The Carl *pro forma* results for the 6-month period ended June 30, 2015, were converted using the average exchange rate of £0.732 per €1.00 over the period.

Accounting for the acquisitions

The acquisitions are accounted for as business combinations in accordance with IFRS 3—Business Combinations. According to IFRS 3, the actual initial consolidation of a business combination takes place at the acquisition date, i.e. the time at which the acquiring company obtains control of the acquired company or acquired business operation.

Due to the accounting for the acquisitions as business combinations in accordance with IFRS 3, the identifiable assets acquired and the liabilities assumed of Carl and Metis are required to be measured at their acquisition date fair values in accordance with IFRS. For purposes of the Unaudited *Pro Forma* Condensed Consolidated Financial Information, the purchase price allocations of Carl and Metis were undertaken on the basis of a valuation of the respective acquired net assets at fair value as of June 30, 2015, and October 13, 2015 respectively (in the following ''PPAs'').

With regard to the unaudited *pro forma* condensed consolidated income statement it is assumed that the acquisitions of Carl and Metis had taken place at January 1, 2015 in order to show the effects of such acquisitions on the entire reporting periods.

It is assumed that Garfunkel, Garfunkelux Holdco 3 S.A. as well as any other relevant holding companies have been incorporated as of January 1, 2015.

The PPAs, as disclosed in the Garfunkel audited financial statements for the 7-month period (from incorporation) ended December 31, 2015, were performed using the most current available financial information for Carl and Metis as of June 30, 2016 and October 13, 2015, respectively. The amortization of the adjustments to the fair values of the identifiable assets acquired and the liabilities assumed resulting from the PPAs were recognized in the unaudited *pro forma* consolidated income statements for the 6-month period ended June 30, 2015, the 12 month period ended December 31, 2015 and the 12-month period ended June 30, 2016.

Transaction related costs

Legal, consulting and other fees incurred by Garfunkel in connection with the acquisitions were classified as transaction related costs. In accordance with IFRS 3.53 those costs were assumed to be incurred as of January 1, 2015 and, therefore, were recognized as expenses as of January 1, 2015 in the unaudited *pro forma* consolidated income statement for the 6-month period ended June 30, 2015 and the 12-month period ended December 31, 2015, and were not recognized as expenses in the unaudited *pro forma* consolidated income statement for the 12-month period ended June 30, 2016.

Transaction related costs for the acquisition of Metis are £12.2 million, of which no significant amount had been incurred as of June 30, 2015, whereas transaction costs in regard to the acquisition of Carl are £11.8 million of which £7.1 million were already recognized in Garfunkel's historical condensed consolidated financial statements as of June 30, 2015.

3.2. Acquisition and financing of Carl

On May 17, 2015, Garfunkel as purchaser and Advent Carl Luxembourg Finance S.à r.l., as seller, entered into a sale and transfer agreement regarding the acquisition of 100% of the shares held by the seller in Carl. The acquisition closed on June 30, 2015. Garfunkel agreed to pay a purchase price for the acquisition of the shares of €484.7 million (£344.3 million using the spot exchange rate as of June 30, 2015 of £0.7114 per €1). The purchase price was financed by the secured notes of €365 million (£259.7 million using the spot rate as of June 30, 2015 of £0.7114 per £1) and equity contributions of Permira Funds of €261.0 million (£185.7 million using the spot exchange rate as of June 30, 2015 of £0.7114 per €1). The remaining funds received in excess of the purchase price paid were mainly used to repay existing credit facilities of Carl (in the following ''**Carl Credit Facilities**''), transaction related costs as well as finance related costs. These secured notes were issued by Garfunkelux Holdco 3 S.A., a subsidiary of Garfunkel, with a maturity of seven years, an equal principal amount of €365 million and a coupon of 7.50% (in the following ''**Carl Notes**'').

For the purpose of the Unaudited *Pro Forma* Condensed Consolidated Financial Information, interest expenses resulting from the issued Carl Notes have been calculated based on an effective interest rate of 8.3% (including the coupon of 7.50%).

3.3 Acquisition and financing of Metis

On August 7, 2015, Garfunkel entered into a sale and transfer agreement regarding the acquisition of certain shares and indebtedness of Metis, which comprises shareholder loans as well as issued preference shares, all classified and presented as financial liabilities in the historical financial statements of Metis. The acquisition closed on October 13, 2015 for a total consideration of £611.7 million. Of the total consideration transferred to the sellers, an amount of £375.8 million was paid in cash and an amount of £236.0 million was financed by the issuance of equity instruments by Garfunkel as well as shareholder loans granted to the sellers.

The acquisition of Metis was financed by equity contributions, shareholder loans and by the issuance of senior secured notes by Garfunkelux Holdco 3 S.A. and senior unsecured notes by Garfunkel with principal amounts of £565.0 million and £230.0 million (together in the following ''**Metis Notes**''), respectively. The Metis Notes have a maturity of seven years for the senior secured notes and eight years for the senior unsecured notes. The funds raised were used to redeem the existing senior secured notes and senior facilities of Metis, meaning the £275.0 million aggregate principal amount of 10.75% senior secured notes due 2019 and the £115.0 million aggregate principal amount of 5.875% senior secured notes due 2019 issued by its subsidiary Lowell Group Financing plc. (in the following together ''**Lowell Notes**'') as well as the revolving credit facility of up to £66 million, which were made available to certain subsidiaries of Metis (in the following ''**Lowell Senior Facilities**''). The nominal interest rates for the Metis Notes are 8.50% and 11.00%, respectively, and 9.73% for the shareholder loans.

For the purpose of the Unaudited *Pro Forma* Condensed Consolidated Financial Information, interest expenses resulting from the issued Metis Notes have been calculated based on the following effective interest rates: 9.3% (including the nominal interest rate of 8.50%) for the Senior Secured Notes and 11.8% (including the nominal interest rate of 8.5%) for the Senior Notes.

Garfunkel entered into revolving credit facilities of up to €200.0 million, which were made available to finance the operating business, but not to finance the payment of the purchase price nor any payment to redeem any existing indebtedness of Carl and Metis.

To redeem the Lowell Notes a loss of £38.2 million was incurred.

3.4 Financing-related costs

Financing-related costs attributable to the financing arrangements used to fund the acquisition considerations were capitalized and amortized over the expected respective life of the financing arrangements in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

To raise new financing sources for the acquisition of Metis, total directly attributable debt-related costs of £32.0 million were incurred, of which none were recognized in historical financial statements as of June 30, 2015 or at an earlier date. For the financing of the acquisition of Carl, total debt-related costs amount to £15.2 million. To the extent that the debt-related costs relate to the issuance of the Metis Notes and the Carl Notes these have been amortized by applying the effective interest rate method according to IAS 39.

3.5. *Pro forma* assumptions

To prepare the Unaudited *Pro Forma* Condensed Financial Information the following assumptions are made:

Funding assumptions:

- The date of proceeds received from the Metis Notes and for the Carl Notes is for the purpose of the unaudited *pro forma* condensed consolidated income statements January 1, 2015.
- For the purpose of the Unaudited *Pro Forma* Condensed Consolidated Financial Information, it is assumed that no amounts are drawn from any revolving credit facility granted to Garfunkel, so that no fees incurred in connection with any revolving credit facility as well as any draw down after June 30, 2015 were adjusted for *pro forma* purposes.

Redemption assumptions:

- The date of redemption of the Lowell Notes, the Lowell Senior Facilities as well as the Carl Credit Facilities is January 1, 2015 for the purpose of the unaudited *pro forma* consolidated income statement.

Acquisition assumptions:

- The acquisition date for Carl and Metis is January 1, 2015 for the purpose of the unaudited *pro forma* consolidated income statements.

Tax assumptions:

- Due to the debt push down from the bond issuing companies (Garfunkelux Holdco 2 S.A. and Garfunkelux Holdco 3 S.A.) to Carl and Metis a gross interest margin (without costs) has been assumed for tax purposes on each level.
- The input value added tax (in the following ''VAT'') in connection with transaction costs and debt related costs have been treated as non-deductible for VAT purposes in Luxembourg. In the UK, transaction costs and debt-related costs are subject to the partial exemption method. The corresponding German VAT is treated as deductible.
- For the calculation of tax effects it is assumed that a fiscal unity between Garfunkel Holding GmbH (a subsidiary of Garfunkelux Holdco 3 S.A.) and GFKL Financial Services GmbH (a subsidiary of Garfunkel Holding GmbH), will be established in the near future.
- The *pro forma* adjustments made lead to deferred tax assets on tax losses in Germany and UK these are expected to be used in the foreseeable future so that the recognized deferred tax asset on net operating losses carried forward are assumed to be recoverable.
- Within the refinancing it is assumed no equity has been pushed down as an intercompany loan from Garfunkelux Holdco 2 S.A. and Garfunkelux Holdco 3 S.A. to Metis.
- For UK tax purposes it is assumed that the interest related to the shareholder loans are non-deductible and all the interest related to the Metis Notes are deductible. Interest accrued on the redeemable cumulative preference shares has been treated as non-deductible.
- Transaction costs are assumed to be completely non-deductible.

4. Unaudited *Pro Forma* Condensed Consolidated Income Statement for the 6-month period ended June 30, 2015

	Historical Financial Information				*Pro Forma* Adjustments			*Pro Forma* Consolidated Income Statement
	Garfunkelux Historical	Carl Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	
				(in £ millions)				
Income from portfolio investments	—	18.6	62.2	80.8	—	—	—	80.8
Portfolio write up	—	10.0	10.5	20.5	—	—	—	20.5
Portfolio fair value release	—	—	(1.9)	(1.9)	—	—	0.2[(6)]	(1.7)
Service revenue	—	64.3	5.1	69.4	—	—	—	69.4
Other revenues	—	1.0	—	1.0	—	—	—	1.0
Total revenue	—	**93.9**	**75.9**	**169.8**	**—**	**—**	**0.2**	**169.9**
Other income	**—**	**3.2**	**—**	**3.2**	**—**	**—**	**—**	**3.2**
Operating expenses								
Collection activity costs	—	52.7	18.9	71.5	—	—	—	71.5
Other expenses	7.1	27.5	31.2	65.8	4.1[(2)]	—	13.2[(7)]	83.1
Total operating expenses	**7.1**	**80.1**	**50.0**	**137.3**	**4.1**	**—**	**13.2**	**154.7**
Operating profit	**(7.1)**	**16.9**	**25.8**	**35.6**	**(4.1)**	**—**	**(13.1)**	**18.4**
Interest income	—	0.3	0.0	0.4	—	—	—	0.4
Finance cost	0.3	8.1	33.8	42.2	58.8[(1)]	(0.7)[(4)]	—	100.2
Profit/(Loss) before tax	**(7.4)**	**9.2**	**(7.9)**	**(6.2)**	**(62.9)**	**0.7**	**(13.1)**	**(81.4)**
Income tax expense	—	4.1	1.0	5.1	(11.8)[(3)]	(3.4)[(5)]	(0.1)[(8)]	(10.2)
Profit/(Loss)	**(7.4)**	**5.1**	**(9.0)**	**(11.3)**	**(51.2)**	**4.1**	**(12.9)**	**(71.3)**

4.1. Explanation of "funding" adjustments

(1) Due to the assumed funding as of January 1, 2015, additional interest has been recognized. This additional interest relates to the following funding sources:

	(in £ millions)
€365 million 7.50% senior secured notes due 2022	10.6
£565 million 8.50% senior secured notes due 2022	25.1
£230 million 11.00% senior notes due 2023	13.0
Shareholder loans	10.2
Total	**58.8**

(2) The adjustment to other expenses relates to acquisition costs in respect of the acquisition of Carl, which were assumed to have occurred on January 1, 2015.

(3) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the additional finance costs as described under the notes (1) and (2) in section 4.1.

4.2. Explanation of "redemption of existing indebtedness" adjustments

(4) Due to the assumed redemption of existing indebtedness of Carl and Metis as of January 1, 2015, interest expenses were eliminated as follows:

	(in £ millions)
Interest costs with respect to the redemption of the indebtedness of Carl	(5.1)
Interest costs with respect to the redemption of the indebtedness of Metis	(33.8)
Loss from early redemption of the existing indebtedness of Metis	38.2
Total	**(0.7)**

The interest expenses eliminated with respect to the indebtedness of Metis include interest expenses regarding the redemption of the Lowell Notes and the Lowell Senior Facilities as well as interest expenses regarding the shareholder loans and preference shares, which were assumed to be purchased together with the shares in Metis.

The interest expenses eliminated with respect to the indebtedness of Carl include the interest expenses regarding the assumed redemption of the Carl Credit Facilities.

The adjustment also relates to the loss from the early redemption of the Lowell Notes together with the Lowell Senior Facilities as well as the Carl Credit Facilities.

(5) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the redemption of existing indebtedness of Carl and Metis as described under note (4) in section 4.2.

4.3. Explanation of "acquisition" adjustments

(6) The income from portfolio investments includes the release of fair value step-ups resulting from the measurement of portfolio investments at their fair value, which were acquired as part of a business combination in accordance with IFRS 3. Metis' historical financial information for the 6-month period ended June 30, 2015 included a release of fair value step-ups resulting from previous business combinations of £1.9 million taking into account a typical collections income profile of 84 months. Due to the assumed acquisition of Metis as of January 1, 2015, the unaudited *pro forma* income statement includes the reduction of fair value step-ups from portfolio investments of £0.2 million, i.e. in total £1.7 million.

(7) The adjustment includes the additional amortization resulting from the fair value step-ups due to the PPAs as well as the additional transaction related costs, which were not yet reflected in the historical financial information of Garfunkel for the 6 month period ended June 30, 2015, which have been expensed in accordance with IFRS 3 as of January 1, 2015 for the purpose of the unaudited *pro forma* consolidated income statements. The adjustment can be explained as follows:

	(in £ millions)
Customer relationships GFKL	0.5
Tradename GFKL	0.2
Tradename Lowell	0.3
Elimination of depreciation and amortization expenses for assets not recognized	(0.6)
Transaction related costs in respect of the acquisition of Carl	0.6
Transaction related costs in respect of the acquisition of Metis	12.2
Total	**13.2**

(8) The adjustment relates to the income tax effect resulting from the *pro forma* adjustments in respect of the acquisitions of Carl and Metis as described under notes (6) and (7) in section 4.3.

5. Unaudited *Pro Forma* Condensed Consolidated Income Statement for the 12-month period ended December 31, 2015

	Historical Financial Information				*Pro Forma* Adjustments			*Pro Forma* Consolidated Income Statement
	Garfunkelux Historical	Carl Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	
				(in £ millions)				
Income from portfolio investments	52.5	18.6	101.0	172.1	—	—	—	172.1
Portfolio write up	20.7	10.0	25.4	56.1	—	—	—	56.1
Portfolio fair value release	(0.6)	—	(2.9)	(3.5)	—	—	0.2(5)	(3.3)
Service revenue	65.8	64.3	7.9	138.1	—	—	—	138.1
Other revenues	1.7	1.0	—	2.8	—	—	—	2.8
Total revenue	**140.2**	**93.9**	**131.4**	**365.5**	**—**	**—**	**0.2**	**365.7**
Other income	**1.9**	**3.2**	**—**	**5.1**	**—**	**—**	**—**	**5.1**
Operating expenses								
Collection activity costs	68.5	52.7	31.6	152.8	—	—	—	152.8
Other expenses	73.5	27.5	50.0	151.0	—	—	0.6(6)	151.5
Total operating expenses	**142.0**	**80.1**	**81.5**	**303.7**	**—**	**—**	**0.6**	**304.3**
Operating profit	**0.1**	**16.9**	**49.9**	**66.9**	**—**	**—**	**(0.4)**	**66.5**
Interest income	3.3	0.3	—	3.7	—	—	—	3.7
Finance cost	77.4	8.1	54.1	139.5	89.2(1)	(59.5)(3)	—	169.2
Profit/(Loss) before tax	**(74.0)**	**9.2**	**(4.2)**	**(68.9)**	**(89.2)**	**59.5**	**(0.4)**	**(99.0)**
Income tax expense	(5.5)	4.1	2.9	1.5	(15.6)(2)	7.0(4)	(0.1)(7)	(7.1)
Profit/(Loss)	**(68.5)**	**5.1**	**(7.1)**	**(70.5)**	**(73.6)**	**52.5**	**(0.3)**	**(91.8)**

5.1. Explanation of "funding" adjustments

(1) The additional interest expenses in relation to the funding can be explained as follows:

	(in £ millions)
€365 million 7.50% senior secured notes due 2022	11.9
£565 million 8.50% senior secured notes due 2022	40.2
£230 million 11.00% senior notes due 2023	20.8
Shareholder loans	16.3
Total	**89.2**

(2) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the additional interest expenses as described under note (1) above in section 5.1.

5.2. Explanation of "redemption of existing indebtedness" adjustments

(3) The interest expenses relating to the indebtedness assumed to be redeemed as of January 1, 2015 have been eliminated as follows:

	(in £ millions)
Interest costs with respect to the redemption of the indebtedness of Metis	(53.5)
Interest costs with respect to the redemption of the indebtedness of Carl	(6.0)
Total	**(59.5)**

The interest expenses eliminated with respect to the indebtedness of Metis include interest expenses regarding the assumed redemption of the Lowell Notes, the Lowell Senior Facilities and interest expenses regarding the shareholder loans and preference shares, which were purchased together with the shares in Metis.

The interest expenses eliminated with respect to the indebtedness of Carl include the interest expenses regarding the assumed redemption of the Carl Credit Facilities.

(4) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the redemption of existing indebtedness of Carl and Metis as described under note (3) in section 5.2.

5.3. Explanation of "acquisition" adjustments

(5) The income from portfolio investments also includes the release of fair value step-ups resulting from the measurement of portfolio investments at their fair value, which were acquired as part of a business combination in accordance with IFRS 3. Due to the assumed acquisition of Metis as of January 1, 2015, the unaudited *pro forma* income statement includes a reduction in fair value step-ups from portfolio investments of £0.2 million, i.e. in total £3.3 million.

(6) The adjustment includes the additional expenses resulting from the fair value step-ups due to the PPAs as well as the transaction related costs in respect of the acquisition of Metis, which were not recognized in Garfunkel's audited financial statements at December 31, 2015. The adjustment can be explained as follows:

	(in £ millions)
Customer relationships GFKL	0.5
Tradename GFKL	0.2
Tradename Lowell	0.5
Elimination of depreciation and amortization expenses for assets not recognized	(0.9)
Transaction related costs in respect of the acquisition of Metis	0.3
Total	**0.6**

(7) The adjustment relates to the income tax effect resulting from the *pro forma* adjustments in respect of the acquisitions of Carl and Metis as described under notes (5) and (6) in section 5.3.

6. Unaudited *Pro Forma* Condensed Consolidated Income Statement for the 12-month period ended June 30, 2016

	Historical Financial Information				*Pro Forma* Adjustments			*Pro Forma* Consolidated Income Statement
	Garfunkelux Historical	Carl Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	
				(in £ millions)				
Income from portfolio investments	145.6	—	38.8	184.5	—	—	—	184.5
Portfolio write up	58.6	—	14.9	73.5	—	—	—	73.5
Portfolio fair value release	(2.3)	—	(1.0)	(3.3)	—	—	(0.4)(6)	(3.7)
Service revenue	137.4	—	2.9	140.3	—	—	—	140.3
Other revenues	3.0	—	—	3.0	—	—	—	3.0
Total revenue	**342.4**	**—**	**55.5**	**397.9**	**—**	**—**	**(0.4)**	**397.5**
Other income	**3.7**	**—**	**—**	**3.7**	**—**	**—**	**—**	**3.7**
Operating expenses								
Collection activity costs	152.5	—	12.7	165.2	—	—	—	165.2
Other expenses	135.8	—	18.8	154.6	(4.1)(1)	—	(12.9)(7)	137.5
Total operating expenses	**288.3**	**—**	**31.5**	**319.8**	**(4.1)**	**—**	**(12.9)**	**302.7**
Operating profit	**57.8**	**—**	**24.1**	**81.8**	**4.1**	**—**	**12.6**	**98.5**
Interest income	5.6	—	0.0	5.6	—	—	—	5.6
Finance cost	144.9	—	20.3	165.2	31.3(2)	(58.8)(4)	—	137.6
Profit/(Loss) before tax	**(81.6)**	**—**	**3.8**	**(77.8)**	**(27.1)**	**58.8**	**12.6**	**(33.5)**
Income tax expense	(1.7)	—	1.9	0.2	(3.7)(3)	10.4(5)	0.0(8)	(6.8)
Profit/(Loss)	**(79.9)**	**—**	**1.9**	**(78.0)**	**(23.4)**	**48.4**	**12.6**	**(40.3)**

6.1. Explanation of "funding" adjustments

(1) The adjustment to other expenses relates to acquisition costs in respect of the acquisition of Carl as it is assumed that these occurred on January 1, 2015.

(2) The additional interest expenses in relation to the funding can be explained as follows:

	(in £ millions)
€365 million 7.50% senior secured notes due 2022	1.3
£565 million 8.50% senior secured notes due 2022	15.0
£230 million 11.00% senior notes due 2023	7.7
Shareholder loans	7.2
Total	**31.3**

(3) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the additional interest expenses as described under the notes (1) and (2) in section 6.1.

6.2. Explanation of "redemption of existing indebtedness" adjustments

(4) The interest expenses relating to the indebtedness assumed to be redeemed are eliminated as follows:

	(in £ millions)
Interest costs with respect to the redemption of the indebtedness of Metis	(19.7)
Interest costs with respect to the redemption of the indebtedness of Carl	(0.9)
Loss from early redemption of existing indebtedness of Metis	(38.2)
Total	**(58.8)**

The interest expenses eliminated with respect to the indebtedness of Metis include interest expenses regarding the assumed redemption of the Lowell Notes, the Lowell Senior Facilities and interest expenses regarding the shareholder loans and preference shares, which were assumed to be purchased together with the shares in Metis.

The adjustment also relates to the elimination of the redemption costs in respect of the Lowell Notes due to the assumption that the redemption has taken place as of January 1, 2015.

(5) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the redemption of existing indebtedness of Metis as described under note (4) in section 6.2.

6.3. Explanation of "acquisition" adjustments

(6) The portfolio release also includes the release of the fair value step-ups resulting from the measurement of the portfolio investments at their fair value, which were acquired as part of a business combination in accordance with IFRS 3. Due to the assumed acquisition of Metis as of January 1, 2015, the unaudited *pro forma* income statement includes further releases of fair value step-ups from portfolio investments of £0.4 million, i.e. in total £3.7 million.

(7) The adjustment includes the additional expenses resulting from the fair value step-ups due to the PPAs as well as the elimination of transaction related costs in respect of the acquisition of Carl and Metis, which were already recognized in Garfunkel's historical condensed consolidated financial statements and which were assumed to have incurred as of January 1, 2015. The adjustment can be explained as follows:

	(in £ millions)
Tradename Lowell	0.2
Elimination of depreciation and amortization expenses for assets not recognized	(0.3)
Transaction related costs in respect of the acquisition of Carl	(0.6)
Transaction related costs in respect of the acquisition of Metis	(12.2)
Total	**(12.9)**

(8) The adjustment relates to the income tax effect resulting from the *pro forma* adjustments in respect to the acquisitions of Carl and Metis as described under notes (6) and (7) in section 6.3.

7. Continuing and one-time effects of the *pro forma* adjustments

The *pro forma* adjustments relating to the PPAs together with the adjustments relating to the interest expenses in respect to the Carl Notes and the Metis Notes reflected in the *pro forma* consolidated income statement for the 6-month period ended June 30, 2015, the 12-month period ended December 31, 2015 and the 12-month period ended June 30, 2016 have a continuing effect.

The *pro forma* adjustments recognized in the unaudited *pro forma* consolidated income statement for the 6-month period ended June 30, 2015 and the 12-month period ended December 31, 2015 include the following adjustments with a one-time effect:

- The transaction related acquisition costs for Carl of £11.8 million and Metis of £12.2 million, i.e. in total £24.0 million were recognized immediately in accordance with IFRS 3 as of the assumed acquisition date January 1, 2015.
- The redemption of the existing indebtedness of Metis led to a one-time loss of £38.2 million and the redemption of the existing indebtedness of Carl led to a one-time loss of £1.5 million due to the assumed redemption date of January 1, 2015.

INDEX TO FINANCIAL INFORMATION

The following are the consolidated financial statements of Garfunkelux Holdco 2 S.A.

The following are the consolidated financial statemetns of Metis Bidco Limited.

The following English-language consolidated financial statements of GFKL Financial Services AG are free translations of the respective German-language consolidated financial statements of GFKL Financial Services AG.

Garfunkelux Holdco 2 S.A.

Unaudited Interim Condensed Consolidated Financial Statements

6 months ended 30th June 2017

GARFUNKELUX HOLDCO 2 S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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GARFUNKELUX HOLDCO 2 S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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GARFUNKELUX HOLDCO 2 S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months ended 30 June 2017 £000 (Unaudited)	6 months ended 30 June 2016 £000 (Unaudited)
Continuing operations			
Revenue			
Income from portfolio investments	6	115,971	93,154
Portfolio write up	6	57,413	37,864
Portfolio fair value release	6	(1,282)	(1,715)
Service revenue		85,972	71,576
Other revenue		1,594	1,295
Total revenue		259,668	202,174
Other income		636	1,743
Operating expenses			
Collection activity costs		(91,186)	(83,968)
Other expenses		(100,200)	(69,399)
Total operating expenses		(191,386)	(153,367)
Operating profit		**68,918**	**50,550**
Interest income		281	2,264
Finance costs	4	(82,120)	(67,848)
Loss before tax		**(12,921)**	**(15,034)**
Income tax credit/(expense)		3,284	(3,742)
Loss for the period		**(9,637)**	**(18,776)**
Other comprehensive expenditure			
Items that will or may be reclassified subsequently to profit or loss			
Foreign operations—foreign currency translation differences		(2,937)	(5,884)
Total comprehensive expenditure		**(12,574)**	**(24,660)**
Total comprehensive expenditure attributable to:			
Equity holders of the parent		(12,574)	(24,564)
Non-controlling interests		—	(96)
		(12,574)	**(24,660)**

The notes on pages 6 to 25 form part of these interim condensed consolidated financial statements.

GARFUNKELUX HOLDCO 2 S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

	Note	30 June 2017 £000 (Unaudited)	31 December 2016 £000
Assets			
Non-current assets			
Goodwill	5	1,018,109	1,005,949
Intangible assets		119,268	124,094
Property, plant and equipment		10,163	10,086
Portfolio investments	6	522,767	491,446
Other financial assets		4,792	2,141
Total non-current assets		**1,675,099**	**1,633,716**
Current assets			
Portfolio investments	6	363,897	340,259
Inventories		57	27
Trade and other receivables	7	42,542	28,945
Other financial assets		8,048	8,314
Assets for current tax		590	1,137
Cash and cash equivalents		92,085	98,053
Total current assets		**507,219**	**476,735**
Total assets		**2,182,318**	**2,110,451**
Equity			
Share capital		3,730	3,730
Share premium and similar premiums		400,396	400,396
Reserves		(23,399)	(20,462)
Retained deficit		(109,308)	(99,671)
Total equity attributable to equity holders of the parent		**271,419**	**283,993**
Non-controlling interests		—	—
Total Equity		**271,419**	**283,993**
Liabilities			
Non-current liabilities			
Borrowings	8	1,723,605	1,531,324
Provisions for pensions		5,332	5,141
Provisions		1,796	1,839
Derivatives	12	—	170
Other financial liabilities		131	50
Deferred tax liabilities		43,330	47,308
Total non-current liabilities		**1,774,194**	**1,585,832**
Current liabilities			
Trade and other payables	9	70,743	101,710
Provisions		14,950	14,522
Borrowings	8	27,768	100,299
Derivatives	12	—	259
Other financial liabilities		6,785	6,517
Current tax liabilities		16,459	17,319
Total current liabilities		**136,705**	**240,626**
Total equity and liabilities		**2,182,318**	**2,110,451**

The notes on pages 6 to 25 form part of these interim condensed consolidated financial statements.

GARFUNKELUX HOLDCO 2 S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium and similar premiums £000	Capital reserve £000	Translation reserve £000	Valuation reserve £000	Retained deficit £000	Total £000	Non-controlling interest £000	Total £000
Balance at 31 December 2015	**3,730**	**357,233**	**(8,443)**	**(6,048)**	**282**	**(68,575)**	**278,179**	**526**	**278,705**
Loss for the period	—	—	—	—	—	(18,680)	**(18,680)**	(96)	**(18,776)**
Exchange differences	—	—	—	(5,884)	—	—	**(5,884)**	—	**(5,884)**
Capital contribution	—	40,067	—	—	—	—	**40,067**	—	**40,067**
Refund on repurchase of shares in subsidiary	—	—	20	—	—	—	**20**	—	**20**
Balance at 30 June 2016 (unaudited)	**3,730**	**397,300**	**(8,423)**	**(11,932)**	**282**	**(87,255)**	**293,702**	**430**	**294,132**
Loss for the period	—	—	—	—	—	(12,416)	**(12,416)**	(23)	**(12,439)**
Capital contribution	—	3,096	—	—	—	—	**3,096**	—	**3,096**
Purchase of NCI	—	—	526	(119)	—	—	**407**	(407)	**—**
Exchange differences	—	—	—	(35)	—	—	**(35)**	—	**(35)**
Actuarial losses on pension	—	—	—	—	(1,048)	—	**(1,048)**	—	**(1,048)**
Deferred tax on pensions	—	—	—	—	338	—	**338**	—	**338**
Other	—	—	(51)	—	—	—	**(51)**	—	**(51)**
Balance at 31 December 2016	**3,730**	**400,396**	**(7,948)**	**(12,086)**	**(428)**	**(99,671)**	**283,993**	**—**	**283,993**
Loss for the period	—	—	—	—	—	(9,637)	**(9,637)**	—	**(9,637)**
Exchange differences	—	—	—	(2,937)	—	—	**(2,937)**	—	**(2,937)**
Balance at 30 June 2017 (unaudited)	**3,730**	**400,396**	**(7,948)**	**(15,023)**	**(428)**	**(109,308)**	**271,419**	**—**	**271,419**

The notes on pages 6 to 25 form part of these interim condensed consolidated financial statements.

GARFUNKELUX HOLDCO 2 S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS

	6 months ended 30 June 2017 £000	6 months ended 30 June 2016 £000
	(Unaudited)	(Unaudited)
Loss before tax	**(12,921)**	**(15,034)**
Adjustments for:		
Depreciation of property, plant and equipment	1,139	843
Amortisation of intangible assets	8,494	4,775
Gain on disposal of a subsidiary	—	(296)
Interest receivable	(281)	(2,264)
Loss on sale of property, plant and equipment and intangible assets	—	114
Finance costs	82,120	67,848
Unrealised gains from foreign exchange	(1,078)	(8,388)
Increase in portfolio investments	(50,737)	(58,835)
Increase in trade and other receivables	(15,981)	(13,104)
(Decrease)/increase in trade and other payables	(30,786)	9,071
Movement in other net assets	75	1,601
Cash used in operating activities	**(19,956)**	**(13,669)**
Income taxes paid	(2,614)	(2,060)
Net cash used in operating activities	**(22,570)**	**(15,729)**
Investing activities		
Interest received	118	272
Proceeds from sale of subsidiary	—	475
Purchase of property, plant and equipment	(1,104)	(1,847)
Purchase of intangible assets	(807)	(2,789)
Acquisition of subsidiary, net of cash acquired	—	(17,066)
Net cash used in investing activities	**(1,793)**	**(20,955)**
Financing activities		
Proceeds from loans and borrowings	155,985	37,973
Transactions costs related to loans and borrowings	(832)	—
Repayment of borrowings	(82,500)	—
Interest paid	(55,929)	(51,616)
Net cash generated from/(used in) financing activities	**16,724**	**(13,643)**
Net decrease in cash and cash equivalents	**(7,639)**	**(50,327)**
Cash and cash equivalents at beginning of period	98,053	106,938
Effect of movements in exchange rates on cash held	1,671	4,355
Cash and cash equivalents at end of period	**92,085**	**60,966**

The notes on pages 6 to 25 form part of these interim condensed consolidated financial statements.

1. ACCOUNTING POLICIES

Corporate information

The interim condensed consolidated financial statements of Garfunkelux Holdco 2 S.A. and its subsidiaries (together ''The Group'') for the period ended 30 June 2017 were authorised for issue in accordance with a resolution of Directors on 29 August 2017. The registered office is located at 488 route de Longwy, in Luxembourg Ville.

The Group is principally engaged in the provision of credit receivables management services. Information regarding changes in the Group structure since 31 December 2016 is presented in further detail in note 13.

General information and basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's IFRS annual financial statements as at 31 December 2016.

The accounting policies applied are consistent with those used in preparing the statutory financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. There are no new IFRSs and IFRICs that are effective for the first time for the six months ended 30 June 2017 which have a material impact on the Group.

Functional and presentation currency

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (its ''Functional Currency''). For the purposes of these consolidated financial statements, the results are prepared in Sterling, (the Group's ''Presentational Currency''). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Basis of consolidation

The Group interim condensed consolidated financial statements consolidate the interim financial statements of Garfunkelux Holdco 2 S.A. (''the Company'') and all its subsidiary undertakings (together ''the Group'') for the six month period ending 30 June 2017.

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing voting rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable return from its involvement with the investee; and
- The ability to use its power over the investee to affect its return.

Generally, there is a presumption that a majority of voting rights results in control. To support its presumption and when the Group has less than a majority of voting rights or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangements with the other investee;
- Rights arising from the contractual arrangements; and
- The Group voting rights and potential voting rights.

1. ACCOUNTING POLICIES (Continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Group's business and activities are set out in the Consolidated Statement of Comprehensive Income (''SCI'') and Consolidated Statement of Financial Position (''SFP'') on pages 2 and 3 respectively.

The Cash EBITDA of the Group is an industry accepted measure of a business's asset base and cash flow generation. The Group has demonstrated strong performance during the half year ended 30 June 2017 with Cash EBITDA of £149.3m.

The business as a whole is cash generative before portfolio acquisitions, receiving £234.1m in gross DP cash collections for the half year to 30 June 2017. The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

The Group has three main sources of funding at 30 June 2017, €365m, £565m and €405m of listed Senior Secured loan notes (''notes''), £230m of listed senior loan notes, and a €200m RCF (''Revolving Credit Facility'').

There are long term business plans and short term forecasts in place which are reviewed and updated on a regular basis by management. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They consequently adopt the going concern basis of accounting in preparing these consolidated financial statements.

Foreign currency

Transactions in foreign currencies are translated to the respective Functional Currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the Functional Currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in the comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the Functional Currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's Presentational Currency (Sterling) at foreign exchange rates ruling at the statement of the financial position date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the Foreign Currency Translation Reserve, net of amounts previously attributed to non-controlling interests, is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

1. ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Total goodwill is tested for impairment annually. Additionally, if there is evidence of impairment in any cash-generating unit (''CGU''), goodwill allocated to that CGU is also tested for impairment.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rated basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Revenue recognition and effective interest rate method

Finance revenue on portfolio investments

Income from portfolio investments represents the yield from portfolio investments, net of VAT where applicable. Acquired portfolio investments are financial instruments that are accounted for using IAS 39, and are measured at amortised cost using the effective interest method.

The effective interest rate (''EIR'') is the rate that exactly discounts estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition, (i.e. the price paid to acquire the asset). These estimated future cash receipts are reflective of the conditions within the markets which the Group operates and range from 84 months to 120 months.

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Increases in portfolio carrying values can and do occur should reforecasted cashflows be deemed greater than previous estimates. The difference in carrying value following an enhanced collection forecast is recognised in the portfolio write up line within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, an impairment is recognised in the SCI.

As part of the acquisition accounting around the purchase of Metis Bidco Limited by Simon Bidco Limited on 13 October 2015 the portfolio investments were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift. This uplift is being unwound in line with the profile of gross estimated remaining collections (''ERC'') over an 84 month period, in keeping with a standard collection curve profile in the UK.

Service revenue

Service revenue represents amounts receivable for tracing and debt collecting services (commissions and fees) provided to third party clients including collection lawyers, net of VAT where applicable. The revenue is recognised when the service is provided (accruals basis).

1. ACCOUNTING POLICIES (Continued)

Impairment of acquired portfolio investments

Acquired portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio investment. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio investment and is included in revenue. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in revenue, up to the point that the reversals equal the previously recognised cumulative revenue. If these reversals exceed the previously recognised cumulative revenue then an impairment is recognised in the SCI.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Consolidated SFP when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities at fair value through profit or loss (''FVTPL'')

This category relates to financial assets and liabilities that must be recognised at fair value through profit or loss. Such assets or liabilities are initially recognised at cost, which at this point equates to fair value. They must be measured subsequently at fair value.

The main assets and liabilities in the Group falling into this category are derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39.

Loans and receivables

Acquired portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolios are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the EIR method.

The portfolio investment is analysed between current and non-current in the SFP. The current asset is determined using the expected cash flows arising in the next twelve months after the SFP date. The residual amount is classified as non-current.

Litigation costs represent upfront fees paid during the litigation process, expected to be recoverable from the customer. Release to the SCI is in line with the collection profile.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the EIR method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables (including trade receivables) when the recognition of interest would be immaterial.

The Group has forward flow agreements in place in relation to the future acquisition of portfolio investments. The fair value and subsequent amortised cost of portfolios acquired under these agreements are determined on the same basis as the Group's other portfolio investments.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

1. ACCOUNTING POLICIES (Continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost using the EIR method, except for those measured at fair value through the SCI, e.g. derivative liabilities. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Collection activity costs

Collection activity costs represent the direct third party costs incurred in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognised as the costs are incurred (accruals basis).

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the SCI because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each SFP date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the SFP date. Deferred tax is charged or credited in the SCI, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

1. ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle that obligation and if a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the SFP date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the discounted present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits with a term from inception of three months or less, less bank overdrafts where there is a right to offset. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances in the same currency.

The Group holds cash on behalf of third parties as part of its collection activities. The restricted cash is shown within cash with a corresponding liability recognised in other payables. Total restricted cash as at 30 June 2017 was £29.2m.

Share-based Payments

Some employees (including senior executives) of the Group receive remuneration in the form of share-based payments settled by the main shareholder of the Group as described in note 11.

IFRS 2 Share-based Payment requires an entity to account for a transaction in which it either:

- receives goods or services when another entity in the same group (or a shareholder of any group entity) has the obligation to settle the share-based payment transaction, or
- has an obligation to settle a share-based payment transaction when another entity in the same group receives the goods or services

unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them.

Equity-settled transactions

To the extent a cost is recognised, the cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost is recognised in employee benefits expense together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profits or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

1. ACCOUNTING POLICIES (Continued)

In the interim condensed consolidated financial statements of the Group, the share-based payment arrangements described in note 11 have been classified as equity settled transaction because the Group has no obligation to settle the transaction with the employees for services it receives.

Intangible assets

Separately acquired or internally generated intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset will be available for use or sale, that there is an intention and ability to use or sell the asset that it will generate future economic benefit, and that the expenditure attributable to the asset during its development can be measured. Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 to 5 years	Straight line
Licences	3 to 15 years	Straight line
Other intangible assets	3 to 10 years	Straight line
Trademarks	15 years	Straight line
Customer relationships	5 to 10 years	Expected life of the underlying contract (Collection profile)

Development costs are not amortised until the project they relate to is complete and goes live. Once the project is live the costs are moved from development costs to the relevant category and amortised over the applicable useful economic life.

Assets are reviewed for signs of impairment at least annually and more frequently if necessary. Impairments are recognised where carrying value of the asset exceeds the future economic benefit.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant accounting estimates and judgements

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the Group's financial statements. IFRS requires the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently, and make judgements and estimates that are reasonable and prudent.

The judgements and estimates used in applying the Group's accounting policies that are considered by the Directors to be the most important to the portrayal of its financial position are detailed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

Revenue recognition

Portfolio investments are acquired from institutions at a substantial discount from their face value and are subsequently measured at amortised cost using the EIR method.

The EIR is determined as at the time of acquisition of the portfolio and then reassessed during a short period following acquisition to reflect refinements made to estimates of future cash flows, based on actual data and analysis considered during that time period. It is not subsequently changed.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

The calculation of the EIR for each portfolio is based on the estimation of future cash flows. These cash flows are estimates and are therefore inherently judgemental. These estimates are based upon historical collections data from other portfolios with similar features such as type and quantum of debt, or age.

If the forecast portfolio collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the portfolio and is included in revenue as a portfolio write up.

Impairment of acquired portfolio investments

The portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the initially set EIR. The cash flow forecasts, which represent the undiscounted value of the ERC of our portfolio investments at a given point in time, are calculated over an 84 month to 120 month period, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model.

The calculation of the ERC for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Goodwill and valuation of intangible assets

The Group capitalises goodwill on the acquisition of businesses as discussed in the significant accounting policies. Goodwill is the excess of the cost of an acquired business over the fair value of its net assets. 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 investment portfolios where valuations reflect estimates of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Calculation of the value in use requires an estimate of future cash flows expected to arise from the cash-generating unit after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgements in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

See note 5 for further details.

Treatment of VAT backpayments

On 27 October 2011, the European Court of Justice ruled that the purchase of non-performing loans (''NPLs'') does not constitute a supply of services for consideration by the acquirer to the seller. This judgement was mirrored by the German Federal Finance Court on 26 January 2012 and in this ruling it was stated that the acquirer could not reclaim input VAT on the purchase of NPLs. As a result the Group may have to refund the input VAT claimed for this line of business for the period from 2004 to 2012 to the German tax authorities.

The final letter from the German Federal Ministry of Finance on 2 December 2015 clarified the treatment in respect of the purchase of NPLs and includes the expected grandfathering rules.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

As a result of these rulings, the Group has recognised a provision of £4.7m (31 December 2016: £4.6m) and corresponding interest of £2.5m (31 December 2016: £2.3m) for VAT in relation to purchases of NPLs in the years prior to 2012. This provision is determined but will continue to accrue interest until paid. However, the tax authorities have not concluded their review of the historical period and as a result the amount may change to the benefit or detriment of the Group.

3. SEGMENTAL REPORTING

Segmentation

IFRS 8 requires operating segment reporting to be based on information provided to the chief operating decision maker which, in this case, is considered to be the Group Executive Committee. Information is presented to the Group Executive Committee on the basis of the two main regions within which the Group operates—the UK and DACH regions. This is in line with the management of the Group. Holding company costs include amounts recognised in relation to holding companies introduced to the Group on the acquisitions of GFKL Financial Services AG and Metis Bidco Limited.

Both the UK and DACH operating segments derive revenues from the acquisition and collection of consumer debt portfolios and receivables management.

All revenues are derived from external customers.

Segmental results

6 months ended 30 June 2017 (Unaudited)	UK	DACH	Holding companies	Total
Revenue from external customers	132,764	127,040	(136)(1)	259,668
Other income	—	636	—	636
Collection activity costs	(29,314)	(61,872)	—	(91,186)
Depreciation, amortisation and impairment	(1,600)	(5,579)	(2,454)(2)	(9,633)
Other operating expenses	(41,348)	(47,533)	(1,686)(3)	(90,567)
Operating profit	**60,502**	**12,692**	**(4,276)**	**68,918**
Interest income				281
Finance costs				(82,120)
Loss before tax				**(12,921)**
Income tax				3,284
Loss for the period				**(9,637)**

(1) Revenue in holding companies relates to the fair value step up on acquisition of Metis Bidco by Simon Bidco. This differs to the portfolio fair value release shown in the SCI as a fair value adjustment arising from a previous acquisition is being unwound within the UK results.

(2) Depreciation, amortisation and impairment in holding companies relates to customer relationship and tradename assets recognised on acquisitions made by the Group.

(3) Other operating expenses in holding companies relate to central costs.

3. SEGMENTAL REPORTING (Continued)

6 months ended 30 June 2016 (Unaudited)	UK	DACH	Holding companies	Total
Revenue from external customers	96,442	105,989	(257)[(1)]	202,174
Other income	—	1,743	—	1,743
Collection activity costs	(23,813)	(60,155)	—	(83,968)
Depreciation, amortisation and impairment	(1,642)	(1,654)	(2,322)[(2)]	(5,618)
Other operating expenses	(32,463)	(28,859)	(2,459)[(3)]	(63,781)
Operating profit	**38,524**	**17,064**	**(5,038)**	**50,550**
Interest income				2,264
Finance costs				(67,848)
Loss before tax				**(15,034)**
Income tax				(3,742)
Loss for the period				**(18,776)**

(1) Revenue in holding companies relates to the fair value step up on acquisition of Metis Bidco by Simon Bidco. This differs to the portfolio fair value release shown in the SCI as a fair value adjustment arising from a previous acquisition is being unwound within the UK results.

(2) Depreciation and amortisation in holding companies relates to customer relationship and tradename assets recognised on acquisitions made by the Group.

(3) Other operating expenses in holding companies relate to central costs.

	30 June 2017 £000	31 December 2016 £000
	(Unaudited)	
Non-current assets		
UK	569,761	570,768
DACH	577,779	569,361
	1,147,540	**1,140,129**

Non-current assets above exclude portfolio investments, other financial assets and deferred tax assets.

Secondary segment

In addition to the primary geographical segment on which the chief operating decision maker reviews the performance of the group, data is also reviewed on a business line basis. These principally comprise:

- The acquisition and collection of non-performing consumer debt portfolios (DP); and
- The provision of third party contingent collection services and other services (Service).

Revenues from external customers	6 months ended 30 June 2017 £000	6 months ended 30 June 2016 £000
	(Unaudited)	(Unaudited)
DP	172,102	129,303
Service (including 3PC)	87,566	72,871
	259,668	**202,174**

4. FINANCE COSTS

	6 months ended 30 June 2017 £000 (Unaudited)	6 months ended 30 June 2016 £000 (Unaudited)
Interest payable on the senior secured notes	42,858	34,750
Interest payable on the senior unsecured notes	12,650	12,650
Fees payable on the notes	3,492	2,260
Interest and fees payable on Revolving Credit Facility	2,237	1,499
Interest payable on shareholder loan	13,005	10,064
Other interest payable	472	870
Notional interest on financial liabilities relating NCI	—	2,386
Foreign exchange losses	7,406	3,369
	82,120	**67,848**

5. GOODWILL

	£000 (Unaudited)
Cost and NBV	
At 30 June 2016	912,370
Goodwill on acquisition of subsidiary	81,028
Effect of currency translation	12,551
At 31 December 2016 and 1 January 2017	**1,005,949**
Effect of currency translation	12,160
At 30 June 2017	**1,018,109**

6. PORTFOLIO INVESTMENTS

	30 June 2017 £000 (Unaudited)	31 December 2016 £000
Non-current		
Portfolio investments	522,767	491,446
Current		
Portfolio investments	363,897	340,259
Total	**886,664**	**831,705**

6. PORTFOLIO INVESTMENTS (Continued)

The movements in acquired portfolio investments were as follows:

	30 June 2017 £000 (Unaudited)	31 December 2016 £000
Opening Balance	**831,705**	**616,461**
On acquisition of subsidiaries	—	18,164
Portfolios acquired during the period	109,014	288,324
Collections in the period	(234,137)	(399,722)
Income from portfolio investments	115,971	199,327
Portfolio fair value release	(1,282)	(3,429)
Portfolio write up	57,413	95,414
Impairment of non-performing loans	(1,430)	(8,887)
Other	9,410	26,053
As at period end	**886,664**	**831,705**

7. TRADE AND OTHER RECEIVABLES

	30 June 2017 £000 (Unaudited)	31 December 2016 £000
Trade receivables	7,828	8,430
Prepayments and accrued income	8,197	6,592
Other receivables	25,551	12,633
Tax receivable	966	1,290
	42,542	**28,945**

8. BORROWINGS

	30 June 2017 £000 (Unaudited)	31 December 2016 £000
Non-current		
Unsecured borrowings at amortised cost		
Senior Notes	230,000	230,000
Prepaid costs on unsecured borrowings	(7,683)	(8,289)
Shareholder loan owed to Garfunkelux Holdco 1 S.à r.l.	295,044	274,376
Total unsecured	**517,361**	**496,087**
Secured borrowings at amortised cost		
Senior secured notes	1,243,590	1,074,320
Prepaid costs on secured borrowings	(37,346)	(39,083)
Total secured	**1,206,244**	**1,035,237**
Total borrowings due for settlement after 12 months	**1,723,605**	**1,531,324**
Current		
Unsecured borrowings at amortised cost		
Interest on Senior Notes	4,218	4,218
Other interest payable	599	454
Total unsecured	**4,817**	**4,672**
Secured borrowings at amortised cost		
Interest on Senior Secured Notes	22,951	20,627
Revolving credit facility	—	75,000
Total secured	**22,951**	**95,627**
Total borrowings due for settlement before 12 months	**27,768**	**100,299**

Senior Secured Notes

On 21 April 2017 the Group issued €175m 5.5% plus EURIBOR (subject a 0% floor) Senior Secured Notes due 2021 through its subsidiary Garfunkelux Holdco 3 S.A.

The issue was made under an indenture dated 28 September 2016 and was at a price of 101.25%. The interest on the Notes is payable quarterly on 1 January, 1 April, 1 July, 1 October, commencing on 1 July 2017. The Notes will mature on 1 October 2021, though the Group may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 14 September 2016.

9. TRADE AND OTHER PAYABLES

	30 June 2017 £000 (Unaudited)	31 December 2016 £000
Trade payables	10,028	7,199
Anticipated losses from onerous contracts	—	24
Other taxes and social security	1,993	2,831
Accruals and deferred income	17,991	17,491
Other payables	40,731	74,165
	70,743	101,710

Other payables includes amounts due of £15.0m in respect of portfolios purchased but not yet paid for at 30 June 2017 (31 December 2016: £49.0m).

10. CONTINGENT LIABILITIES

In 2016 a former service provider to the GFKL Group asserted a claim against GFKL Financial Services GmbH totalling c€0.7m. Based on the views of our external legal advisors the claim is not valid and hence no provision has been created.

11. SHARE BASED PAYMENTS

On 13 October 2015, the main shareholder of the Company—Garfunkelux Holdco 1 S.à r.l. entered into a share-based payment arrangement with certain managers of the Group (the ‘‘Garfunkelux Group managers’’).

Under this agreement, the Garfunkelux Group managers shall enter into a nominee agreement with Garfunkelux Nominee S.à r.l. (‘‘Nominee’’), pursuant to which Nominee shall be the registered shareholder of the shareholder instruments as nominee for the Garfunkelux Group managers and these managers should be the beneficial owners of the shareholder instruments held by Nominee. The Garfunkelux Group managers subscribed for shares in Garfunkelux Holdco 1 S.à r.l. at a price that approximates the market price of the underlying shares at the date of grant.

The Garfunkelux Group managers further agreed, in the same agreement, to sell back to Garfunkelux Invest S.à r.l., the main shareholder of Garfunkelux Holdco 1 S.à r.l., the shares owned in Garfunkelux Holdco 1 S.à r.l. in the event they cease to be an employee and/or a corporate officer of the Group. The selling price of the shares is determined on the basis of a number of conditions including the service period and whether the Garfunkelux Group manager qualifies as good leaver or bad leaver. The sale price of the shares in Garfunkelux Holdco 1 S.à r.l. owned by the Garfunkelux Group managers will be settled in cash.

In the consolidated financial statement of the Group, this arrangement has been classified as equity settled transaction because the Group has no obligation to settle the transaction with the Garfunkelux Group managers. However since the amount paid by the Garfunkelux Group managers for the subscription of the shares in Garfunkelux Holdco 1 S.à r.l. are at fair value, the awards have no material fair value at grant date and therefore there is no expense recognised in the SCI for the year or previous year.

12. FINANCIAL INSTRUMENTS

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values, with portfolio investments and Notes being the only exceptions.

	Carrying amount		Fair Value	
	30 June 2017 £000	31 December 2016 £000	30 June 2017 £000	31 December 2016 £000
	(Unaudited)		(Unaudited)	
Financial assets				
Cash and cash equivalents	92,085	98,053	92,085	98,053
Investments and receivables:				
Portfolio investments	886,664	831,705	895,044	835,841
Other financial assets	55,972	40,537	55,972	40,537
Total financial assets	**1,034,721**	**970,295**	**1,043,101**	**974,431**
Financial liabilities				
FVTPL:				
Derivatives	—	429	—	429
Financial liabilities measured at amortised cost:				
Senior Secured Notes*	1,266,541	1,094,947	1,313,036	1,119,869
Senior Notes*	234,218	234,218	255,459	236,997
RCF	—	75,000	—	75,000
Shareholder loan	295,044	274,376	295,044	274,376
Other financial liabilities	111,463	142,411	111,463	142,411
Total financial liabilities	**1,907,266**	**1,821,381**	**1,975,002**	**1,849,082**

* Includes loan principal outstanding and accrued interest note 8.

For the Group, the fair value of the acquired portfolios is determined using a discounted cashflow model with unobservable inputs and are classified as level 3 measurements. The unobservable inputs in determining the fair value are the discount rate and service cost percentage which differ for portfolios that are not deemed as ''paying'' at the point of acquisition and those that are deemed as ''paying''. A ''paying'' portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cashflows to net and is based on historical information on costs to collect.

The Senior and the Senior Secured Notes are publicly traded instruments whose value can be obtained from public sources; as a result these are classified as level 1. The remaining financial assets and liabilities carried have a fair value equal to their carrying value.

The fair value of non-financial instruments have been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

12. FINANCIAL INSTRUMENTS (Continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2016		
	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value			
Derivatives	—	429	—

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39. The Group does not hold any derivatives at 30 June 2017.

	30 June 2017 £000 (Unaudited)	31 December 2016 £000
Derivative financial instruments with negative fair values		
Not designated as part of a hedge relationship	**—**	**429**

13. GROUP STRUCTURE

During the period, the following entities have been created in the Group. No further changes to Group structure have been made.

Name	Country of incorporation	Ordinary share holding % as at 30 June 2017
Lowell Investment GmbH	Germany	100
Lowell Portfoliomanagement GmbH	Austria	100

14. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Company is a wholly owned subsidiary undertaking of Garfunkelux Holdco 1 S.à r.l., the registered office of which is at 488, route de Longwy, L-1940, Luxembourg.

The ultimate parent company is Garfunkelux S.à r.l., incorporated in Luxembourg, which is itself held by funds advised by Permira, an international private equity fund.

The Company is the largest group in which results are consolidated.

14. RELATED PARTY TRANSACTIONS (Continued)

Period end balances with related parties

	30 June 2017 £000 (Unaudited)	31 December 2016 £000
Balances with immediate parent undertaking		
Shareholder loan with Garfunkelux Holdco 1 S.à r.l.	295,044	274,376
Balances owed to other related parties		
Loan owed from Garfunkelux Nominee S.à r.l.	4,683	2,020
Permira Beteiligungsberatung GmbH (trading)	—	5
Teamviewer GmbH (trading)	—	29

Transactions with related parties

	6 months ended 30 June 2017 £000 (Unaudited)	6 months ended 30 June 2016 £000 (Unaudited)
Transactions with immediate parent		
Shareholder loan interest with Garfunkelux Holdco 1 S.à r.l.	13,005	10,064
Transactions with other related parties		
Loan interest owed from Garfunkelux Nominee S.à r.l.	115	150
Loan to Garfunkelux Nominee S.à r.l.	—	—
Permira Beteiligungsberatung GmbH (trading)	21	—
Teamviewer GmbH (trading)	7	—

15. SUBSEQUENT EVENTS

There were no subsequent events between the balance sheet date and the date of signing.

Company No. B197497

GARFUNKELUX HOLDCO 2 S.A.

Independent Auditor's Report

and Consolidated Financial Statements

Year ended 31 December 2016

GARFUNKELUX HOLDCO 2 S.A.

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2016

CONTENTS

GARFUNKELUX HOLDCO 2 S.A.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GARFUNKELUX HOLDCO 2 S.A.

To the Sole Shareholder of
Garfunkelux Holdco 2 S.A.
488, route de Longwy
L-1940 Luxembourg

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Garfunkelux Holdco 2 S.A., which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the ''réviseur d'entreprises agréé''

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Garfunkelux Holdco 2 S.A. as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matter

We bring to your attention the fact that the consolidated financial statements of Garfunkelux Holdco 2 S.A. for the period from 1 June 2015 (date of incorporation) to 31 December 2015 have been audited by another auditor, who issued an unqualified opinion dated 25 April 2016.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of réviseur d'entreprises agréé thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The consolidated management report, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Jean—Manuel Seris
Luxembourg,

4 April 2017

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Continuing operations			
Revenue			
Income from portfolio investments	15	199,327	52,476
Portfolio write up	15	95,414	20,718
Portfolio fair value release	15	(3,429)	(573)
Service revenue		160,028	65,828
Other revenue		2,877	1,747
Total revenue		**454,217**	**140,196**
Other income		4,131	1,922
Operating expenses			
Collection activity costs		(181,410)	(68,511)
Other expenses	5	(167,180)	(73,529)
Total operating expenses		**(348,590)**	**(142,040)**
Operating profit		**109,758**	**78**
Interest income	6	699	3,332
Finance costs	7	(138,692)	(77,367)
Other financial expenses		—	(39)
Loss before tax	4	**(28,235)**	**(73,996)**
Income tax (expense)/credit	8	(2,980)	5,471
Loss for the period		**(31,215)**	**(68,525)**
Loss attributable to:			
Equity holders of the parent	25	(31,096)	(68,575)
Non-controlling interests	26	(119)	50
		(31,215)	**(68,525)**
Other comprehensive income/(expenditure)			
Items that will not be reclassified to profit or loss			
Actuarial gains or losses on pension plans	30	(1,048)	408
Deferred tax on actuarial gains and losses on pension plans	8	338	(126)
		(710)	**282**
Items that will or may be reclassified subsequently to profit or loss			
Foreign operations—foreign currency translation differences		**(5,919)**	**(6,048)**
Other comprehensive income, net of tax		**(6,629)**	**(5,766)**
Total comprehensive expenditure for the period		**(37,844)**	**(74,291)**
Total comprehensive expenditure attributable to:			
Equity holders of the parent		(37,725)	(74,341)
Non-controlling interests	26	(119)	50
		(37,844)	**(74,291)**

The notes on pages 12 to 65 form part of these consolidated financial statements.

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Note	31 December 2016 £000	31 December 2015 £000
Assets			
Non-current assets			
Goodwill	11	1,005,949	861,382
Intangible assets	12	124,094	76,067
Property, plant and equipment	13	10,086	6,252
Portfolio investments	15	491,446	345,683
Other financial assets	17	2,141	4,961
Deferred tax asset	9	—	817
Total non-current assets		**1,633,716**	**1,295,162**
Current assets			
Portfolio investments	15	340,259	270,778
Inventories		27	41
Trade and other receivables	16	28,945	26,834
Assets for current tax		1,137	4,246
Other financial assets	17	8,314	10,011
Cash and cash equivalents	18	98,053	106,946
Total current assets		**476,735**	**418,856**
Total assets		**2,110,451**	**1,714,018**
Equity			
Share capital	23	3,730	3,730
Share premium and similar premiums		400,396	357,233
Reserves		(20,462)	(14,209)
Retained earnings		(99,671)	(68,575)
Equity attributable to equity holders of the parent		**283,993**	**278,179**
Non-controlling interests	26	—	526
Total equity		**283,993**	**278,705**
Liabilities			
Non-current liabilities			
Borrowings	19	1,531,324	1,221,147
Provisions for pensions	30	5,141	3,522
Provisions	21	1,839	605
Derivatives	29	170	501
Other financial liabilities	22	50	55,588
Deferred tax liabilities	9	47,308	27,405
Total non-current liabilities		**1,585,832**	**1,308,768**
Current Liabilities			
Trade and other payables	20	101,710	60,709
Provisions	21	14,522	10,638
Borrowings	19	100,299	34,014
Derivatives	29	259	315
Other financial liabilities	22	6,517	6,881
Current tax liabilities		17,319	13,988
Total current liabilities		**240,626**	**126,545**
Total equity and liabilities		**2,110,451**	**1,714,018**

The notes on pages 12 to 65 form part of these consolidated financial statements.

GARFUNKELUX HOLDCO 2 S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Notes	Share capital £000	Share premium and similar premiums £000	Reserves: Capital reserve £000	Reserves: Translation reserve £000	Reserves: Valuation reserve £000	Retained deficit £000	Total £000	Non-controlling interest £000	Total equity £000
Comprehensive income										
Balance at 1 June 2015		—	—	—	—	—	—	—	—	—
Loss for the period		—	—	—	—	—	(68,575)	(68,575)	50	(68,525)
Actuarial gains on pension		—	—	—	—	408	—	408	—	408
Deferred tax on pensions		—	—	—	—	(126)	—	(126)	—	(126)
Exchange differences		—	—	—	(6,048)	—	—	(6,048)	—	(6,048)
Total comprehensive income/(expenditure) for the year		**—**	**—**	**—**	**(6,048)**	**282**	**(68,575)**	**(74,341)**	**50**	**(74,291)**
Issuance of share capital on incorporation	23	45	—	—	—	—	—	45	—	45
Increase in share capital	23	3,685	357,233	—	—	—	—	360,918	—	360,918
Issuance of beneficial units	24	—	—	19	—	—	—	19	—	19
Non-controlling interest	26	—	—	—	—	—	—	—	476	476
Purchase of shares in subsidiary	24	—	—	(8,462)	—	—	—	(8,462)	—	(8,462)
Balance at 31 December 2015		**3,730**	**357,233**	**(8,443)**	**(6,048)**	**282**	**(68,575)**	**278,179**	**526**	**278,705**
Comprehensive income										
Loss for the year		—	—	—	—	—	(31,096)	(31,096)	(119)	(31,215)
Actuarial losses on pension		—	—	—	—	(1,048)	—	(1,048)	—	(1,048)
Deferred tax on pensions		—	—	—	—	338	—	338	—	338
Exchange differences		—	—	—	(5,919)	—	—	(5,919)	—	(5,919)
Total comprehensive income/(expenditure) for the year		**—**	**—**	**—**	**(5,919)**	**(710)**	**(31,096)**	**(37,725)**	**(119)**	**(37,844)**
Capital contribution	31	—	43,163	—	—	—	—	43,163	—	43,163
Purchase of non-controlling interest	26	—	—	526	(119)	—	—	407	(407)	—
Adjustments in relation to purchase of shares in subsidiary		—	—	20	—	—	—	20	—	20
Other		—	—	(51)	—	—	—	(51)	—	(51)
Balance at 31 December 2016		**3,730**	**400,396**	**(7,948)**	**(12,086)**	**(428)**	**(99,671)**	**283,993**	**—**	**283,993**

The notes on pages 12 to 65 form part of these consolidated financial statements.

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Loss for the period before tax		**(28,235)**	**(73,996)**
Adjustments for:			
Depreciation of property, plant and equipment	13	1,968	400
Amortisation of intangible assets	12	12,167	3,801
Impairment of assets	12	6,387	39
Gain on disposal of subsidiary		(50)	—
Interest receivable	6	(699)	(3,332)
Loss on sale of property, plant and equipment and intangible assets		407	7
Finance costs	7	138,692	77,367
Unrealised gains from foreign exchange		(14,581)	(11,733)
		116,056	**(7,447)**
Increase in portfolio investments		(178,684)	(12,631)
Decrease/(increase) in trade and other receivables		9,860	(9,186)
Increase in trade and other payables		31,088	55,911
Movement in other net assets		2,736	2,961
Cash (used in)/generated from operating activities		**(18,944)**	**29,608**
Income taxes paid		(2,535)	(1,631)
Net cash (used in)/generated from operating activities		**(21,479)**	**27,977**
Investing activities			
Interest received		201	444
Proceeds from sale of subsidiary		229	—
Purchase of property, plant and equipment	13	(4,818)	(187)
Purchase of intangible assets	12	(4,972)	(1,257)
Proceeds from sale of property, plant and equipment and other intangibles		—	76
Acquisition of subsidiaries, net of cash acquired	10	(133,839)	(910,388)
Net cash used in investing activities		**(143,199)**	**(911,312)**
Financing activities			
Proceeds from issue of share capital		—	360,963
Proceeds from issue of Senior Secured Notes		198,030	1,053,420
Proceeds from loans and borrowings		65,000	208,689
Transactions costs related to loans and borrowings		(10,960)	(41,547)
Acquisition of non-controlling interests		(9)	(8,462)
Repayment of borrowings		(734)	(530,230)
Interest paid		(102,038)	(53,361)
Net cash from financing activities		**149,289**	**989,472**
Net (decrease)/increase in cash and cash equivalents		(15,389)	106,137
Cash and cash equivalents at beginning of period		106,938	—
Effect of movements in exchange rates on cash held		6,504	801
Cash and cash equivalents at end of period	18/19	**98,053**	**106,938**

The notes on pages 12 to 65 form part of these consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Corporate information

The consolidated financial statements of Garfunkelux Holdco 2 S.A. and its subsidiaries (together ''The Group'') for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of Directors on 4 April 2017. Under Luxembourg Law, the consolidated financial statements are approved by the shareholder at the Annual General Meeting. Garfunkelux Holdco 2 S.A. (the Company or the parent) is incorporated as an S.A. (Société Anonyme) and domiciled in Luxembourg. The registered office is located at 488 route de Longwy, in Luxembourg Ville.

The Group is principally engaged in the provision of credit management services. Information regarding the Group structure is presented in note 14. Information on other related party transactions is presented in note 31.

General information and basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. Those standards have been applied consistently to the historical periods. The financial year is the calendar year. The Group was incorporated on 1 June 2015 and GFKL and Lowell were acquired on 30 June 2015 and 13 October 2015 respectively. Prior period comparatives presented in these financial statements are therefore not comparable to the 2016 full year.

Functional and presentation currency

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (its ''Functional Currency''). For the purposes of these consolidated financial statements, the results are prepared in Sterling, (the Group's ''Presentational Currency''). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Adoption of new and revised standards

The following Accounting Standard amendments became effective for periods commencing on or after 1 January 2016 and have been adopted in the current year. None had a material impact on the consolidated financial statements.

Annual improvements 2012 - 2014 cycle .	Improvements to IFRS 5, IFRS 7, IAS 9 and IAS 34
IAS 1 (amended)	Disclosure initiative
IAS 16 and IAS 38 (amended)	Clarification of Acceptable Methods of Depreciation and Amortisation

The following new and revised Standards and Interpretations are in issue and have been endorsed by the EU but are not yet effective for these consolidated financial statements.

IFRS 9—Financial Instruments—effective from 1 January 2018. The current application of the Effective Interest Rate with regards to purchased non-performing assets is thought to be largely in line with IFRS 9 however additional disclosure requirements, over and above those from IFRS 7, will be required (around compliance with applicable regulation and the management of risk). Management will continue to assess the impact of the three main areas of IFRS 9, being classification and measurement, impairment, and hedge accounting during 2017.

IFRS 15—Revenue from Contracts with Customers—effective from 1 January 2018. IFRS 15 established a five step approach to accounting for revenue from contracts with customers. Management will assess the potential impact of adopting IFRS 15 during 2017.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following new and revised Standards and Interpretations are in issue but have not yet been endorsed by the EU and are hence not yet effective for these financial statements.

IAS 7—Disclosure Initiative—Amendments to IAS 7. The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IFRS 16—Leases. IFRS 16 introduces a single, on balance sheet approach to lease accounting for lessees with optional exemptions for short-term leases and leases of low value items.

IFRS 2—Classifications and Measurement of Share-based Payment Transactions.

Basis of consolidation

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing voting rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable return from its involvement with the investee; and
- The ability to use its power over the investee to affect its return.

Generally there is a presumption that a majority of voting rights results in control. To support its presumption and when the Group has less than a majority of voting rights or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangements with the other investee;
- Rights arising from the contractual arrangements; and
- The Group voting rights and potential voting rights.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Group's business activities are set out in the Consolidated Statement of Comprehensive Income (''SCI'') and Consolidated Statement of Financial Position (''SFP'') on pages 8 and 9 respectively. In addition, note 29 to these consolidated financial statements includes the Group's financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Cash EBITDA of the Group is an industry accepted measure of a business's asset base and cashflow generation. The Group has demonstrated strong performance during the year ended 31 December 2016 with Cash EBITDA of £254.5m.

The business as a whole is cash generative before portfolio acquisitions, receiving £399.7m in gross DP cash collections for the year ended 31 December 2016. The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

The Group has three main sources of funding at 31 December 2016, €365m, £565m and €230m of listed Senior Secured loan notes (''notes''), £230m of listed Senior loan notes, and a €200m RCF. There are covenants on the funding which are detailed in note 19.

There are long term business plans and short term forecasts in place which are reviewed and updated on a regular basis by management. The Directors have a reasonable expectation that the Group has

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

adequate resources to continue in operational existence for the foreseeable future. They consequently adopt the going concern basis of accounting in preparing these consolidated financial statements.

Foreign currency

Transactions in foreign currencies are translated to the respective Functional Currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the Functional Currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the SCI. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the Functional Currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's Presentational Currency (Sterling) at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the Foreign Currency Translation Reserve, net of amounts previously attributed to non-controlling interests, is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of completion) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. At acquisition, non-controlling interest (''NCI'') is measured at fair value. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

On a business combination the portfolio investments are recalculated to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date, and is subject to a maximum of one year from the date of acquisition.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Total goodwill is tested for impairment annually. Additionally, if there is evidence of impairment in any CGU, goodwill allocated to that CGU is also tested for impairment.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rated basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Revenue recognition and effective interest rate method

Finance revenue on acquired portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, net of VAT where applicable. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortised cost using the effective interest method.

The effective interest rate (''EIR'') is the rate that exactly discounts estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition, (i.e. the price paid to acquire the asset). These estimated future cash receipts are reflective of the conditions within the markets which the Group operates and range from 84 months to 120 months. An initial EIR is determined at the acquisition of the portfolio investment, following this there is a short period that is required to adjust the EIR due to the complexity of the portfolios acquired. Reassessing and changing the EIR in this way does not have a material impact on the financial statements.

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Increases in portfolio carrying values can and do occur should forecasted cashflows be deemed greater than previous estimates and because of the rolling nature of the period to derive future cash receipts. The difference in carrying value following an enhanced collection forecast is recognised in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, an impairment is recognised in the SCI.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

As part of the acquisition accounting around the purchase of Metis Bidco Limited by Simon Bidco Limited on 13 October 2015 the portfolio investments were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift (see note 15). This uplift is being unwound in line with the profile of gross ERC over an 84 month period, in keeping with a standard collection curve profile in the UK.

Service revenue

Service income represents amounts receivable for tracing and debt collecting services (commissions and fees) provided to third party clients including collection lawyers, net of VAT where applicable. The revenue is recognised when the service is provided (accruals basis).

Impairment of acquired portfolio investments

Acquired portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio investment. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio investment and is included in revenue. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in revenue, up to the point that the reversals equal the previously recognised cumulative revenue. If these reversals exceed the previously recognised cumulative revenue then an impairment is recognised in the SCI.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Consolidated SFP when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities at fair value through profit or loss

This category relates to financial assets and liabilities that must be recognised at fair value through profit or loss. Such assets or liabilities are initially recognised at cost, which at this point equates to fair value. They must be measured subsequently at fair value.

The main assets and liabilities in the Group falling into this category are derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39.

Loans and receivables

Acquired portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolios are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the EIR method.

The portfolio investment is analysed between current and non-current in the SFP. The current asset is determined using the expected cash flows arising in the next twelve months after the SFP date. The residual amount is classified as non-current.

Litigation costs represent upfront fees paid during the litigation process, expected to be recoverable from the customer and added to the customer account balance to be recovered at a later date. Release to the SCI is in line with the collection profile.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the EIR method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables (including Trade receivables) when the recognition of interest would be immaterial.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has forward flow agreements in place in relation to the future acquisition of portfolio investments. The fair value and subsequent amortised cost of portfolios acquired under these agreements are determined on the same basis as the Group's other acquired portfolio investments.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss / SCI (''FVTPL''), are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost using the EIR method, except for those measured at fair value through the SCI, e.g. derivative liabilities. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group does not hold derivative instruments for trading purposes.

Derivative financial instruments have been used for hedging. As of the balance sheet date, they relate both to hedges taken out to hedge the risk of a change in the fair value of a recognised asset or a recognised liability and to hedge the risk of variability in cash flows.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in the SCI immediately. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in note 29.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle that obligation and if a reliable estimate of the amount of the obligation can be made.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the SFP date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the discounted present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Pensions

Defined benefit pensions

The Group provides defined benefit pension plans through some of its German subsidiaries. Provisions for pensions are calculated pursuant to IAS 19. Actuarial models are used to calculate the provisions for pensions and the related pension expenses. These calculations use various assumptions such as current actuarial probabilities (discount factors, increase in cost of living etc.), assumptions regarding turnover based on age and years of service as well as experience-based assumptions concerning the probability of occurrence of pension payments, annuity payments or endowment payments. The probabilities used in the inputs may deviate from actual developments due to changes in market and economic conditions. Sensitivity analyses are used to determine the financial effects of the deviations in the significant inputs.

Defined contribution pensions

The Group operates a number of defined contribution schemes for the benefit of its employees. Contributions payable are charged to the SCI in the period they are payable.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the SCI because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each SFP date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the SFP date. Deferred tax is charged or credited in the SCI, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

VAT

Income, expenses and assets are recognised net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognised as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

Collection activity costs

Collection activity costs represents the direct third party costs in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognised as the costs are incurred (accruals basis).

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits with a term from inception of three months or less, less bank overdrafts where there is a right to offset. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances in the same currency.

The Group holds cash on behalf of third parties as part of its collection activities. This restricted cash is shown within cash with a corresponding liability recognised in other payables.

Share-based Payments

Some employees (including senior executives) of the Group receive remuneration in the form of share-based payments settled by the main shareholder of the Group as described in note 28.

IFRS 2 Share-based Payment requires an entity to account for a transaction in which it either:

- receives goods or services when another entity in the same group (or a shareholder of any group entity) has the obligation to settle the share-based payment transaction, or
- has an obligation to settle a share-based payment transaction when another entity in the same group receives the goods or services

unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them.

Equity-settled transactions

To the extent a cost is recognised, the cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost is recognised in employee benefits expense together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the SCI for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the consolidated financial statements of the Group, the share-based payment arrangements described in note 28 have been classified as equity settled transaction because the Group has no obligation to settle the transaction with the employees for services it receives.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Fixtures and fittings	5 years
Hardware	5 years
Office equipment	5 to 15 years
Leasehold improvements	Life of lease (0 to 15 years)

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the SCI.

Borrowing costs are added to the costs of an asset provided it is a qualifying asset pursuant to IAS 23.

Intangible assets

Separately acquired or internally generated intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset will be available for use or sale, that there is an intention and ability to use or sell the asset, that it will generate future economic benefit, and that the expenditure attributable to the asset during its development can be measured. Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 to 5 years	Straight line
Licences	3 to 15 years	Straight line
Other intangible assets	3 to 10 years	Straight line
Trademarks	15 years	Straight line
Customer relationships	5 to 10 years	Expected life of the underlying contract (Collection profile)

Development costs are not amortised until the project they relate to is complete and goes live. Once the project is live the costs are moved from development costs to the relevant category and amortised over the applicable useful economic life.

Assets are reviewed for signs of impairment at least annually and more frequently if necessary. Impairments are recognised where the carrying value of the asset exceeds the future economic benefit.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the Group's financial statements. IFRS requires the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently, and make judgements and estimates that are reasonable and prudent.

The judgements and estimates used in applying the Group's accounting policies that are considered by the Directors to be the most important to the portrayal of its financial position are detailed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

Revenue recognition

Portfolio investments are acquired from institutions at a substantial discount from their face value and are subsequently measured at amortised cost using the EIR method.

The EIR is determined as at the time of acquisition of the portfolio and then reassessed during a short period following acquisition to reflect refinements made to estimates of future cash flows, based on actual data and analysis considered during that time period. It is not subsequently changed.

The calculation of the EIR for each portfolio is based on the estimation of future cash flows. These cash flows are estimates and are therefore inherently judgemental. These estimates are based upon historical collections data from other portfolios with similar features such as type and quantum of debt, or age.

A change in EIR of +/− 2.5% has the following impact on the income from portfolio investments:

	Year ended 31 December 2016 £000	1 June - 31 December 2015* £000
Plus 2.5%		
Income from portfolio investments	7,467	2,366
Portfolio write-up	(16,736)	(5,483)
Decrease of income	**(9,269)**	**(3,117)**
Minus 2.5%		
Income from portfolio investments	(7,653)	(2,368)
Portfolio write-up	17,674	5,497
Increase of income	**10,021**	**3,129**

* The impact on the period from 1 June 2015 to 31 December 2015 above has been calculated over the period of 2.5 months for Lowell and 6 months for GFKL.

If the forecast portfolio collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the portfolio and is included in revenue as a portfolio write up.

Impairment of acquired portfolio investments

The portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the initially set EIR. The cash flow forecasts, which represent the undiscounted value of the ERC of our portfolio investments at a given point in time, are calculated

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

over an 84 month to 120 month period, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model.

The calculation of the ERC for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Goodwill and valuation of intangible assets

The Group capitalises goodwill on the acquisition of businesses as discussed in the significant accounting policies. Goodwill is the excess of the cost of an acquired business over the fair value of its net assets. 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 investment portfolios where valuations reflect estimates of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Calculation of the value in use requires an estimate of future cash flows expected to arise from the CGU after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgements in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

See note 11 for further details regarding goodwill.

Treatment of VAT backpayments

On 27 October 2011, the European Court of Justice ruled that the purchase of non-performing loans (''NPLs'') does not constitute a supply of services for consideration by the acquirer to the seller. This judgment was mirrored by the German Federal Finance Court on 26 January 2012 and in this ruling it was stated that the acquirer could not reclaim input VAT on the purchase of NPLs. As a result the Group may have to refund the input VAT claimed for this line of business for the period from 2004 to 2012 to the German tax authorities.

The final letter from the German Federal Ministry of Finance on 2 December 2015 clarified the treatment in respect of the purchase of NPLs and includes the expected grandfathering rules.

As a result of these rulings, the Group has recognised a provision of £4.6m (31 December 2015: £4.2m) and corresponding interest of £2.3m (31 December 2015: £1.7m) for VAT in relation to purchases of NPLs in the years prior to 2012 (see note 21). This provision is determined but will continue to accrue interest until paid. However the tax authorities have not concluded their review of the historical period and as a result the amount may change to the benefit or detriment of the Group.

3. SEGMENTAL REPORTING

Segmentation

IFRS 8 requires operating segment reporting to be based on information provided to the chief operating decision maker which, in this case, is considered to be the Group Executive Committee. Information is presented to the Group Executive Committee on the basis of the two main regions within which the Group operates—the UK and DACH regions. This is in line with the management of the Group. Holding company costs include amounts recognised in relation to holding companies introduced to the Group on the acquisitions of GFKL and Lowell.

3. SEGMENTAL REPORTING (Continued)

Both the UK and DACH operating segments derive revenues from the acquisition and collection of consumer debt portfolios and receivables management.

All revenues are derived from external customers.

Segmental results

Year ended 31 December 2016	UK	DACH	Holding companies	Total
Revenue from external customers	216,415	238,470	(668)[(1)]	454,217
Other income	—	3,083	1,048[(2)]	4,131
Collection activity costs	(49,899)	(131,511)	—	(181,410)
Depreciation, amortisation and impairment	(3,361)	(5,976)	(11,185)[(3)]	(20,522)
Other operating expenses	(73,305)	(67,285)	(6,068)[(4)]	(146,658)
Operating profit	**89,850**	**36,781**	**(16,873)**	**109,758**
Interest income				699
Finance costs				(138,692)
Other financial expenses				—
Loss before tax				**(28,235)**
Income tax				(2,980)
Loss for the period				**(31,215)**

(1) Revenue in holding companies relates to the fair value step up on acquisition of Metis Bidco by Simon Bidco. This differs to the portfolio fair value release shown in the SCI as a fair value adjustment arising from a previous acquisition is being unwound within the UK results.

(2) Other income within holding companies relates to income due from the previous owner of GFKL.

(3) Depreciation, amortisation and impairment in holding companies relates to customer relationship and tradename assets recognised on acquisition of GFKL and Lowell. During the year, £6.2m of tradename assets were impaired.

(4) Other operating expenses in holding companies relate to central costs.

1 June - 31 December 2015	UK	DACH	Holding companies	Total
Revenue from external customers	35,193	104,949	54[(1)]	140,196
Other income	—	1,922	—	1,922
Collection activity costs	(10,390)	(58,121)	—	(68,511)
Depreciation, amortisation and impairment	(500)	(1,422)	(2,279)[(2)]	(4,201)
Other operating expenses	(13,602)	(31,808)	(23,918)[(3)]	(69,328)
Operating profit	**10,701**	**15,520**	**(26,143)**	**78**
Interest income				3,332
Finance costs				(77,367)
Other financial expenses				(39)
Loss before tax				**(73,996)**
Income tax				5,471
Loss for the period				**(68,525)**

Note: Due to the establishment of the Group during 2015 and the differing periods of consolidation for Lowell and GFKL in the statutory accounts of the Group for the period ended 31 December 2015, prior period figures in this note are not comparable to current year disclosures.

3. SEGMENTAL REPORTING (Continued)

(1) Revenue in holding companies relates to the fair value step up on acquisition of Metis Bidco by Simon Bidco. This differs to the portfolio fair value release shown in the SCI as a fair value adjustment arising from a previous acquisition is being unwound within the UK results.

(2) Depreciation and amortisation in holding companies relates to customer relationship and tradename assets recognised on acquisition of GFKL and Lowell.

(3) Other operating expenses in holding companies relate to central costs. These were significant in 2015 as a result of non-recurring acquisition related costs incurred on the acquisitions of GFKL and Lowell.

	31 December 2016 £000	31 December 2015 £000
Non-current assets		
UK	570,768	569,250
DACH	569,361	374,451
	1,140,129	**943,701**

Non-current assets above exclude portfolio investments, other financial assets and deferred tax assets.

Secondary segment

In addition to the primary geographical segment on which the chief operating decision maker reviews the performance of the group, data is also reviewed on a business line basis. These principally comprise:

- The acquisition and collection of non-performing consumer debt portfolios (DP); and
- The provision of third party contingent collection services and other services (Service).

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Revenues		
DP	291,312	72,621
Service (including 3PC)	162,905	67,575
	454,217	**140,196**

4. LOSS BEFORE TAX

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Loss for the period is after charging:		
Impairment of assets (notes 12 and 13)	6,387	38
Impairment of non-performing loans (note 15)	8,887	3,488
Depreciation of property, plant and equipment (note 13)	1,968	400
Amortisation of intangible assets (note 12)	12,167	3,801
Loss on disposal of property, plant and equipment and intangible assets	407	7
Staff costs (note 5c)	91,019	27,887
Rentals under operating leases (note 27)	6,674	3,119
Non-recurring acquisition costs—Tesch	951	—
Non-recurring acquisition costs—Lowell	253	11,969
Non-recurring acquisition costs—GFKL	—	7,670

5. STAFF COSTS AND OTHER OPERATING EXPENSES

a) Other operating expenses

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Staff costs (note 5c)	91,019	27,887
Depreciation of property, plant and equipment (note 13)	1,968	400
Amortisation of intangible assets (note 12)	12,167	3,801
Tradename impairment (note 12)	6,229	—
Non-recurring acquisition costs	1,204	19,639
Rental, licences and maintenance for IT equipment	10,185	3,113
Building rental and facility costs	8,552	2,471
Other operating expenses	35,856	16,218
Total other operating expenses	**167,180**	**73,529**

Other operating expenses includes office costs, consultancy and professional fees.

During 2016, tradenames of £6.2m were impaired to nil.

b) Auditor's remuneration

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Audit fees of Parent Company and consolidated financial statements	134	413
Audit related fees of financial statements of subsidiaries	251	1,800
Tax fees	48	708
Other services	131	250
Total auditor's remuneration	**564**	**3,171**

The Group auditor was changed from Ernst & Young to KPMG on 18 October 2016. Ernst and Young continued to audit GFKL for the 2016 year end before a full handover is effected in 2017. Auditor's remuneration in 2016 disclosed above relates only to KPMG and in 2015 relates only to Ernst and Young.

Other services comprise corporate finance consultancy and assurance services provided to the Group.

The extent of non-audit services fees payable are reviewed by the Audit Committee in the context of the fees paid by the Group to its other advisors during the period. The Committee also reviews the nature and extent of the non-audit services to ensure that independence is maintained.

c) Staff costs

The average number of employees during the period was:

	Year ended 31 December 2016 Number	1 June - 31 December 2015 Number
Operational staff	1,660	845
Business support	649	576
Total	**2,309**	**1,421**

5. STAFF COSTS AND OTHER OPERATING EXPENSES (Continued)

Operational staff are those directly or indirectly involved in the operations of the business and business support staff are employed in supporting functions such as IT and Finance. The average number of employees in 2015 was suppressed by the timings of the acquisitions of GFKL and Lowell during the period and in 2016 by the acquisitions of IS Inkasso and Tesch in the year.

The period end number of employees was:

	31 December 2016 Number	31 December 2015 Number
Operational staff	1,984	1,334
Business support	783	772
Total	**2,767**	**2,106**

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Wages and salaries	79,262	24,504
Social security costs	10,689	3,295
Pension costs to defined contribution schemes	651	81
Pension costs to defined benefit schemes	417	7
Total	**91,019**	**27,887**

d) Directors' remuneration

The Directors are not paid by any Company that forms part of the Group.

Emoluments paid to other key employees who are not Directors of this Company but are Directors of subsidiaries of the Company are detailed in note 31. These twelve employees are paid by subsidiary undertakings of the Company for their services as Directors to the Group.

6. INTEREST INCOME

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Bank interest receivable	201	218
Net gain on financial instruments designated as FVTPL	498	226
Net foreign exchange gain	—	2,888
Total interest income	**699**	**3,332**

7. FINANCE COSTS

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Financial liabilities measured at amortised costs—interest expense:		
Interest payable on the Senior Secured Notes	73,336	18,460
Interest payable on the Senior Unsecured Notes	25,300	5,060
Fees payable on the Notes	5,135	1,171
Fees payable on the Senior Secured Notes redeemed on acquisition of Lowell	—	31,019
Interest and fees payable on Revolving Credit facility	3,495	6,094
Interest payable on bridge financing facilities	—	2,031
Interest payable on shareholder loan	22,664	3,956
Other interest payable	1,725	612
Net loss on financial instruments designated as FVTPL	398	7,727
Notional interest on financial liabilities relating to NCI	2,386	1,237
Net foreign exchange loss	4,253	—
Total finance costs	**138,692**	**77,367**

8. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Current taxation		
Corporation tax	1,468	1,312
Adjustment in respect of previous periods	61	(380)
Total current tax charge	**1,529**	**932**
Deferred tax		
Origination and reversal of temporary differences	2,806	(7,863)
Change in estimate of recoverable deferred tax	(1,398)	142
Impact of change in tax rate	43	1,318
Total deferred tax credit (see note 9)	**1,451**	**(6,403)**
Total tax expense/(credit)	**2,980**	**(5,471)**

b) Amounts recognised in the Statement of Comprehensive Income

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Pension Provisions	**(338)**	**126**

8. INCOME TAX (Continued)

c) Reconciliation of effective tax rate

The standard average effective rate of corporation tax in Luxembourg is 29.22%. However, as the Group is located in different countries, the standard average effective rate of corporation tax for the group is 25%. The tax credit assessed for the period is lower than this and the differences are explained below:

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Loss on ordinary activities before tax	**(28,235)**	**(73,996)**
Tax credit on loss on ordinary activities at a combined countries rate of 25%	(7,059)	(18,499)
Effects of:		
Permanent differences	1,469	2,382
Income not taxable for tax purposes	6,452	5,005
Value adjustments	(1,398)	142
Impact of tax losses carried forward	2,461	2,403
Adjustment to tax charge in respect of previous periods	61	(380)
Tax rate differences	958	3,531
Other	36	(55)
Total tax expense	**2,980**	**(5,471)**

9. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following as at 31 December 2016 and 31 December 2015.

	31 December 2016 £000	31 December 2015 £000
Recognised in profit or loss		
Intangible assets	(35,660)	(19,020)
Portfolio investments	(27,556)	(15,576)
Tax losses carried forward	13,756	10,098
Other	2,152	(2,090)
Net tax liabilities	**(47,308)**	**(26,588)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

The movement in deferred tax balances throughout the period are as follows:

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
SCI effect	1,451	(6,403)
Equity effect	(338)	126
Acquisition of subsidiaries	15,529	31,980
Disposal of subsidiaries	(59)	—
Exchange rate differences	4,136	885
Movement in the period	**20,719**	**26,588**

9. DEFERRED TAX (Continued)

	31 December 2016 £000	31 December 2015 £000
Deferred tax asset	—	817
Deferred tax liability	(47,308)	(27,405)
	(47,308)	**(26,588)**

Deferred tax assets of £3.4m (2015: £1.6m) have not been recognised in respect of tax losses because it is not probable that future taxable profit will be available against which the losses can be utilised.

10. SIGNIFICANT ACQUISITIONS OF SUBSIDIARIES

a) Acquisition of IS Inkasso

On 31 May 2016, the Group acquired 100% of the ordinary shares in IS Group Management GmbH for £20.1m (€26.4m), satisfied in cash. The acquiring company was GFKL Financial Services GmbH, a wholly owned subsidiary of the Company.

In the seven months to 31 December 2016 the subsidiary group contributed a net loss of £276k to the consolidated net loss for the period. If the acquisition had occurred on 1 January 2016, Group revenue would have been £4.3m (€5.5m) higher and net loss would have been c£0.4m (€0.5m) higher.

Identifiable assets acquired and liabilities assumed

The following table summarises the provisional recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	88
Intangible assets	8,562
Trade and other receivables	274
Other financial assets	3
Cash and cash equivalents	3,055
Provisions	(925)
Trade and other payables	(454)
Other financial liabilities	(963)
Income tax provisions	(94)
Deferred tax liabilities	(2,081)
	7,465

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred from the date of acquisition.

	Recognised values on acquisition £000
Cash	**20,121**

10. SIGNIFICANT ACQUISITIONS OF SUBSIDIARIES (Continued)

Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Customer relationships	Income approach

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Recognised values on acquisition £000
Consideration transferred	20,121
Fair value of identifiable net assets	(7,465)
	12,656

Goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised.

None of the Goodwill recognised is expected to be deductible for income tax purposes.

b) Acquisition of Tesch

On 30 September 2016, GFKL Financial Services GmbH acquired 100% of the ordinary shares in DC Holding GmbH for €142.0m.

DC Holdings GmbH and its 8 wholly owned subsidiaries (See note 14 for group structure) make up the Tesch Group.

In the three months to 31 December 2016 the Tesch Group contributed net profit of £1,207k to the consolidated net loss for the year.

10. SIGNIFICANT ACQUISITIONS OF SUBSIDIARIES (Continued)

Identifiable assets acquired and liabilities assumed

The following table summarises the provisional recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	535
Intangible assets	40,942
Portfolio investments	18,164
Other financial assets	77
Trade and other receivables	3,323
Income tax receivables	311
Cash and cash equivalents	5,466
Trade and other payables	(11,358)
Provisions	(1,241)
Income tax liabilities	(1,511)
Deferred tax liabilities	(13,497)
Total identifiable net assets acquired	**41,211**

No increase or impairment of value was recognised for trade receivables at the acquisition date.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	Recognised values on acquisition £000
Total consideration transferred in cash	**122,239**

Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Customer relationships	Income approach
Non-performing loans	Income approach

No contingent consideration or contingent liabilities remain in respect of the acquisition as at 31 December 2016.

10. SIGNIFICANT ACQUISITIONS OF SUBSIDIARIES (Continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Recognised values on acquisition £000
Consideration transferred	122,239
Fair value of identifiable net assets	(41,211)
Goodwill	**81,028**

Goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised.

None of the Goodwill recognised is expected to be deductible for income tax purposes.

11. GOODWILL

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Cost		
Opening Balance	861,382	—
Addition on acquisition of GFKL	—	297,339
Addition on acquisition of Lowell	—	553,334
Addition on acquisition of IS Inkasso (note 10a)	12,656	—
Addition on acquisition of Tesch (note 10b)	81,028	—
Effect of currency translation	50,883	10,709
At period end	**1,005,949**	**861,382**
Net book value		
At period end	**1,005,949**	**861,382**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to two aggregated CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes. The two CGUs identified are Lowell, comprising of all subsidiary companies operated in the UK owned by Metis Bidco Limited, and GFKL, consisting of all subsidiary companies operated in DACH owned by Garfunkel Holding GmbH. The Goodwill recognised on acquisition of Tesch and IS Inkasso is measured on a provisional basis and may be subject to change.

Euro denominated goodwill is retranslated at each balance sheet date and give rise to the Euro translation effect shown above.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGUs is determined as the higher of fair value less cost to sell and value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to collections and direct costs during the forecast period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rate used to discount the forecast cash flows

11. GOODWILL (Continued)

for the CGU's are based upon the subsidiary group's weighted average cost of capital (''WACC'') and are as follows:

	31 December 2016 £000	31 December 2015 £000
Lowell CGU	7.35%	9.39%
GFKL CGU	5.81%	6.33%

The Group prepares cash flow forecasts derived from the most recent detailed financial budgets approved by management for the next four years. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value.

Lowell CGU

Based on the value in use a fall in the forecast cashflows of 12% would result in an impairment at 31 December 2016 (36% at 31 December 2015). An increase in WACC of 3.3 percentage points to 10.6% would result in an impairment at 31 December 2016.

GFKL CGU

Based on the value in use a fall in the forecast cashflows of 48% would result in an impairment at 31 December 2016 (60% at 31 December 2015). An increase in WACC of 6.8 percentage points to 12.6% would result in an impairment at 31 December 2016.

12. INTANGIBLE ASSETS

	Software and licences £000	Development costs £000	Customer relationships £000	Trademarks £000	Total £000
Cost					
At 1 January 2016	8,505	3,815	52,294	15,343	79,957
Acquisition of subsidiaries	2,020	—	48,979	—	50,999
Additions	3,961	1,011	—	—	4,972
Reclassification	4,191	(4,191)	—	—	—
Disposals	(1,435)	(70)	—	—	(1,505)
Currency exchange differences	1,099	606	9,195	984	11,884
At 31 December 2016	**18,341**	**1,171**	**110,468**	**16,327**	**146,307**
Accumulated amortisation					
At 1 January 2016	(951)	(15)	(2,619)	(305)	(3,890)
Charge for the year	(3,616)	—	(7,490)	(1,061)	(12,167)
Asset impairment	(158)	—	—	(6,229)	(6,387)
Amortisation on disposals	1,198	—	—	—	1,198
Currency exchange differences	(13)	(3)	(795)	(156)	(967)
At 31 December 2016	**(3,540)**	**(18)**	**(10,904)**	**(7,751)**	**(22,213)**
Net book value					
At 31 December 2016	**14,801**	**1,153**	**99,564**	**8,576**	**124,094**
At 31 December 2015	**7,554**	**3,800**	**49,675**	**15,038**	**76,067**

12. INTANGIBLE ASSETS (Continued)

Reclassifications: Development costs can be a combination of ''Software and licences'' and ''Property, plant and equipment''. When projects go live and development costs are reclassified they are transferred to ''Software and licences'' or ''Property, plant and equipment'' (note 13).

Intangible assets acquired through the acquisition of subsidiaries are included in cost at their net book value at the time of the acquisition.

During 2016, trademark intangibles of £6.2m were impaired to nil.

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 January 2016	119	2,370	1,296	2,902	6,687
Acquisition of subsidiaries	—	—	—	655	655
Additions	387	1,870	703	1,858	4,818
Disposals	(1)	(96)	(233)	(450)	(780)
Disposals of subsidiaries	—	—	—	(10)	(10)
Currency exchange differences	—	—	—	492	492
At 31 December 2016	**505**	**4,144**	**1,766**	**5,447**	**11,862**
Accumulated depreciation					
At 1 January 2016	(11)	(52)	(95)	(277)	(435)
Charge for the year	(63)	(414)	(518)	(973)	(1,968)
Disposals	—	94	219	368	681
Disposals of subsidiaries	—	—	—	9	9
Currency exchange differences	—	—	—	(63)	(63)
At 31 December 2016	**(74)**	**(372)**	**(394)**	**(936)**	**(1,776)**
Net book value					
At 31 December 2016	**431**	**3,772**	**1,372**	**4,511**	**10,086**
At 31 December 2015	**108**	**2,318**	**1,201**	**2,625**	**6,252**

Property, plant and equipment acquired through the acquisition of subsidiaries are included in cost at their net book value at the time of the acquisition.

14. GROUP STRUCTURE

The Group includes the following subsidiary undertakings. All subsidiaries are included in the consolidation:

Name	Country of incorporation	Ordinary share holding % as at 31 December 2016	Ordinary share holding % as at 31 December 2015
Garfunkelux Holdco 3 S.A.	Luxembourg	100	100
Garfunkel Holding GmbH	Germany	100	100
GFKL Financial Services GmbH	Germany	100	100
Zyklop Deutschland GmbH	Germany	100	100
GFKL Pay Protect GmbH	Germany	100	100
Proceed Portfolio Services GmbH(1)	Germany	—	100
GFKL Collections GmbH	Germany	100	100
Deutsche Multilauskunftel GmbH	Germany	100	100

14. GROUP STRUCTURE (Continued)

Name	Country of incorporation	Ordinary share holding % as at 31 December 2016	Ordinary share holding % as at 31 December 2015
GFKL Service Center GmbH	Germany	100	100
Proceed Collection Services GmbH	Germany	100	100
Sirius Inkasso GmbH	Germany	100	100
INKASSO BECKER WUPPERTAL GmbH & Co. KG	Germany	100	100
IBW Verwaltungsund Beteilligungs GmbH	Germany	100	100
Intratech GmbH(2)	Germany	100	51
debifact Factoring GmbH & Co. KG	Germany	100	100
debifact Verwaltungs GmbH	Germany	100	100
Simon Holdco Limited(3)	Jersey	100	75
Simon Midco Limited(3)	UK	100	75
Simon Bidco Limited(3)	UK	100	75
Metis Bidco Limited(3)	UK	100	75
Lowell Finance Holdings Limited(3)	UK	100	75
Lowell Group Financing Plc(3)	UK	100	75
Lowell Group Limited(3)	UK	100	75
Lowell Funding Limited(3)	UK	100	75
Lowell Acquisitions Limited(3)	UK	100	75
Lowell Holdings Ltd(3)	UK	100	75
Lowell Finance Ltd(3)	UK	100	75
Lowell Financial Ltd(3)	UK	100	75
Lowell Portfolio I Ltd(3)	UK	100	75
Tocatto Ltd(3)	UK	100	75
Lowell Portfolio III Holdings Limited(3)	UK	100	75
Lowell Portfolio III Limited(3)	UK	100	75
Lowell Portfolio IV Holdings Limited(3)	UK	100	75
Lowell Portfolio IV Limited(3)	UK	100	75
Lowell Solicitors Limited(3)	UK	100	75
Interlaken Group Limited(3)	UK	100	75
Fredrickson International Limited(3)	UK	100	75
SRJ Debt Recoveries Limited(3)	UK	100	75
IS Group Management GmbH(4)	Austria	100	—
IS Forderungsmanagement GmbH(4)	Austria	100	—
IS-Inkasso Service GmbH(4)	Austria	100	—
EDV-Hofer GmbH(4)	Austria	100	—
IS Inkasso Service GmbH(4)	Switzerland	100	—
IS Inkasso Servis d.o.o(4)	Croatia	100	—
DC Holding GmbH(5)	Germany	100	—
Tesch Inkasso GmbH(5)	Germany	100	—
DC Forderungsmanagement GmbH(5)	Germany	100	—
Tesch Inkasso Forderungsmanagement GmbH(5)	Germany	100	—
Tesch Service GmbH(5)	Germany	100	—
DC Portfolien GmbH(5)	Germany	100	—
Tesch Mediafinanz GmbH(5)	Germany	100	—
Tesch Inkasso Finance GmbH(5)	Germany	100	—
mediafinanz collection services GmbH(5)	Germany	100	—
Apontas GmbH & Co KG(6)	Germany	100	—
Apontas Verwaltungs GmbH(6)	Germany	100	—
Apontas Inkasso GmbH(6)	Germany	100	—
Apontas Invest GmbH(6)	Germany	100	—

(1) In January 2016, the Group disposed of its entire shareholding in Proceed Portfolio Services GmbH.

14. GROUP STRUCTURE (Continued)

(2) On 30 November 2016, the Group acquired the non-controlling interest in Intratech GmbH.

(3) In May 2016, the Group acquired the remaining 25% investment in Simon Holdco and its subsidiaries through settlement of the financial liability detailed in note 22.

(4) On 31 May 2016, the Group acquired the IS Inkasso group of companies, see note 10a.

(5) On 30 September 2016, the Group acquired the Tesch group of companies, see note 10b.

(6) On 10 October 2016, the Group acquired the Apontas group of companies, no goodwill was generated on acquisition.

15. PORTFOLIO INVESTMENTS

	31 December 2016 £000	31 December 2015 £000
Non-current		
Portfolio investments	491,446	345,683
Current		
Portfolio investments	340,259	270,778
Total	**831,705**	**616,461**

The movements in acquired portfolio investments were as follows:

	31 December 2016 £000	31 December 2015 £000
At start of period	**616,461**	**—**
On acquisition of subsidiaries	18,164	600,474
Portfolios acquired during the period	288,324	46,820
Collections in the period	(399,722)	(103,052)
Income from portfolio investments	199,327	52,476
Portfolio fair value release	(3,429)	(573)
Portfolio write-up	95,414	20,718
Impairment of non-performing loans	(8,887)	(3,488)
Other	26,053	3,086
At end of period	**831,705**	**616,461**

16. TRADE AND OTHER RECEIVABLES

	31 December 2016 £000	31 December 2015 £000
Trade receivables	8,430	9,199
Prepayments and accrued income	6,592	3,191
Other receivables	12,633	14,367
Tax receivable	1,290	77
	28,945	**26,834**

Trade receivables are primarily made up of amounts due from clients for services provided. This figure includes gross receivables of £9.1m, and an allowance for bad debt of £0.7m.

17. OTHER FINANCIAL ASSETS

	31 December 2016 £000	31 December 2015 £000
Non-current		
Receivables from affiliated companies	2,020	4,903
Other financial assets	121	58
	2,141	**4,961**
Current		
Securitisation receivables	1,592	2,094
Other financial assets	6,722	7,917
	8,314	**10,011**
	10,455	**14,972**

Receivables from affiliated companies relate to loans made to Garfunkelux Nominee S.à.r.l. together with accrued interest.

18. CASH AND CASH EQUIVALENTS

	31 December 2016 £000	31 December 2015 £000
Cash and bank balances	76,719	90,804
Restricted cash balances	21,334	16,142
	98,053	**106,946**

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

The Group holds cash on behalf of third parties as part of its collection activities. These restricted cash balances are shown within cash.

19. BORROWINGS

	31 December 2016 £000	31 December 2015 £000
Non-current		
Unsecured borrowings at amortised cost		
Senior Notes	230,000	230,000
Prepaid costs on Senior Notes	(8,289)	(9,197)
Shareholder loan owed to Garfunkelux Holdco 1 S.à.r.l.	274,376	198,689
Total unsecured	**496,087**	**419,492**
Secured borrowings at amortised cost		
Senior Secured Notes	1,074,320	834,005
Prepaid costs on Senior Secured Notes	(39,083)	(32,350)
Total secured	**1,035,237**	**801,655**
Total borrowings due for settlement after 12 months	**1,531,324**	**1,221,147**
Current		
Unsecured borrowings at amortised cost		
Bank overdraft	—	8
Interest on Senior Notes	4,218	5,060
Other interest payable	454	486
Total unsecured	**4,672**	**5,554**
Secured borrowings at amortised cost		
Interest on Senior Secured Notes	20,627	18,460
Revolving credit facility	75,000	10,000
Total secured	**95,627**	**28,460**
Total borrowings due for settlement before 12 months	**100,299**	**34,014**

During the period financing transaction costs of £11.0m were incurred in respect of Senior Secured Notes.

All borrowings are measured at amortised cost using the effective interest rate method. The other principal features of the Group's borrowings are as follows:

Senior Secured Notes ("Notes")

On 23 July 2015 the Group issued €365m 7.5% Senior Secured Notes due 2022, through its subsidiary Garfunkelux Holdco 3 S.A. The interest on the Notes is payable semi-annually on 1 February and 1 August, commencing 1 February 2016. The Notes will mature on 1 August 2022, though the Group may redeem the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 20 July 2015.

On 19 October 2015 the Group issued £565m 8.5% Senior Secured Notes due 2022, through its subsidiary Garfunkelux Holdco 3 S.A. The interest on the Notes is payable semi-annually on 1 May and 1 November, commencing 1 May 2016. The Notes will mature on 1 November 2022, though the Group may redeem the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 14 October 2015.

On 28 September 2016 the Group issued €230m 5.5% plus EURIBOR (subject to a 0% floor) Senior Secured Notes due 2021 through its subsidiary Garfunkelux Holdco 3 S.A. The interest on the Notes is payable quarterly on 1 October, 1 January, 1 April and 1 July, commencing on 1 January 2017. The

19. BORROWINGS (Continued)

Notes will mature on 1 October 2021, though the Group may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 14 September 2016.

There are two covenant measures under the terms of the Senior Secured Notes; Fixed Charge Coverage Ratio, which must be at least 2:1 and Consolidated Senior Secured Leverage Ratio, which cannot exceed 4.5:1. Both covenants are incurrence covenants.

The Senior Secured Notes are secured on the assets, share pledges and intra-group receivables of the Group and are listed on the Official List of the Luxembourg Stock Exchange.

Senior Unsecured Notes (“Notes”)

On 19 October 2015 the Company issued £230m 11.0% Senior Notes due 2023. The interest on the Notes is payable semi-annually on 1 May and 1 November, commencing 1 May 2016. The Notes will mature on 1 November 2023, though the Group may redeem the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 14 October 2015. The Notes are listed on the Official List of the Luxembourg Stock Exchange.

There is one covenant measure under the terms of the Notes, the Fixed Charge Coverage Ratio, which must be at least 2:1. Again, this is an incurrence covenant only.

Revolving Credit Facility (“RCF”)

The Group has an RCF commitment of €200m. The RCF has a variable interest rate linked to LIBOR/ EURIBOR and a quarterly commitment fee calculated on the undrawn facility.

Any Material Company or other member of the Group, which becomes a guarantor of the Amended and Restated RCF is required (subject to agreed security principles) to grant security over certain of its material assets and (if wholly owned by another member or members of the Group) to have its shares (or equivalent ownership interests) secured in favour of the Security Agent.

There is one covenant measure under the terms of the RCF additional to the covenant measures under the Senior Secured Notes as follows: if the aggregate amount of all loan utilisations exceed an amount equal to 30% of the total commitments, the Group is required to confirm whether or not the Leverage Ratio exceeds 7:1.

No incurrence or maintenance covenants in the Notes and RCF instruments have been breached during the year to 31 December 2016 or the period from 1 June 2015 to 31 December 2015.

Shareholder Loan

The Group entered into a loan facility in October 2015 for €260.4m with its holding company Garfunkelux Holdco 1 S.à.r.l. The Group increased this facility in May 2016 to €287.4m. The loan has an interest rate of 9.72%.

The shareholder loan has a maturity date that falls six months following the maturity of the Senior Notes or the date of the latest maturing of any outstanding Senior debt of the company.

The weighted average interest rates during the period were as follows:

	31 December 2016 £000	31 December 2015 £000
Notes	8.25%	8.79%
Bridge financing	—	7.83%
RCF	3.63%	4.00%
Shareholder loan owed to Garfunkelux Holdco 1 S.à.r.l.	9.72%	9.72%

20. TRADE AND OTHER PAYABLES

	31 December 2016 £000	31 December 2015 £000
Trade payables	7,199	8,200
Anticipated losses from onerous contracts	24	103
Other taxes and social security	2,831	3,907
Accruals and deferred income	17,491	16,052
Other payables	74,165	32,447
	101,710	**60,709**

Other payables includes amounts due of £49.0m in respect of portfolios purchased but not yet paid for at 31 December 2016 (31 December 2015: £10.7m).

21. PROVISIONS

	Tax provisions £000	Restructuring £000	Other £000	Total £000
At 1 January 2016	**8,176**	**1,131**	**1,936**	**11,243**
Acquisition/disposal of subsidiaries	45	—	2,698	2,743
Provisions made during the year	2,151	10	2,024	4,185
Amounts utilised during the year	(152)	(1,210)	(1,846)	(3,208)
Provisions reversed during the year	—	(46)	(573)	(619)
Discount unwind	—	—	26	26
Exchange differences	1,415	125	451	1,991
At 31 December 2016	**11,635**	**10**	**4,716**	**16,361**
Current	11,635	10	2,877	14,522
Non-Current	—	—	1,839	1,839
Total	**11,635**	**10**	**4,716**	**16,361**

Tax related provisions largely comprise amounts owed due to VAT backpayments (£6.9m, note 2) as well as other tax related provisions of £4.7m. Other provisions include provisions for onerous contracts totalling £1.8m and employee related provisions of £1.5m.

In 2016 a former service provider to the GFKL Group asserted a claim against GFKL totalling c€0.7m. Based on the views of our external legal advisors the claim is not valid and hence no provision has been created.

22. OTHER FINANCIAL LIABILTIES

	31 December 2016 £000	31 December 2015 £000
Non-current		
Liability to purchase Simon Holdco Limited shares	—	55,471
Other financial liabilities	50	117
	50	**55,588**
Current		
Liability from potential treasury shares	6,517	5,522
Liability from portfolio financing	—	1,359
	6,517	**6,881**

The liability in respect of treasury shares relate to the merger of ABIT AG (''ABIT'') and GFKL Financial Services AG in 2006. The liability arises from ABIT shareholders outstanding claims which will be fulfilled by a cash settlement. This liability relates to the unsettled amounts together with accrued interest.

As at 31 December 2015 the Company indirectly owned 75% of Simon Holdco Limited and all of its subsidiaries, both direct and indirect. The results of Simon Holdco Limited and all of its direct and indirect subsidiaries were consolidated at an effective 100% ownership as a legal obligation was created at the point of acquisition on 13 October 2015 that all the remaining shares would be acquired at a later date. This transaction resulted in a financial liability of £55.5m at 31 December 2015.

On 17th May 2016, the financial liability to purchase the remaining 25% of the shares in Simon Holdco Limited was settled through a shareholder loan of €27.0m (£21.1m) and a capital contribution made into the Group of €51.3m (£40.1m). The new shareholder loan of €27.0m is an extension of the existing loan with the Group holding company, Garfunkelux Holdco 1 S.à.r.l. and bears the interest rate of 9.72%. The loan has a maturity date that falls six months following the maturity of the Senior notes or the date of the last maturing of any outstanding Senior debt of the Company.

23. SHARE CAPITAL

	£000
Called up, allotted and fully paid:	
Share capital on incorporation (6,200,000 ordinary shares of €0.01 each)	45
Increase in share capital (493,800,005 ordinary shares of €0.01 each)	3,685
At 31 December 2016 and 31 December 2015	**3,730**

The rights attached to the ordinary shares are as follows:

Voting

Each shareholder shall have one vote for every Share held. Each Shareholder and Beneficiary Unit (''BU'') holder (note 24), where applicable, may vote through voting forms in the manner set out in the convening notice in relation to a Shareholders' Meeting. The Shareholders and the BU holders may only use voting forms provided by the Company and which contain at least the place, date and time of the meeting, the agenda of the meeting, the proposal submitted to the decision of the meeting, as well as for each proposal three boxes allowing the Shareholder and the BU holder to vote in favour, against, or abstain from voting on each proposed resolution by ticking the appropriate box.

23. SHARE CAPITAL (Continued)

Return of Capital

In the event of a dissolution and liquidation of the Company, any liquidation surplus shall be distributed in the following order:

- The holders of the BUs shall receive an amount corresponding to a) the Issue Price of the BUs held by them plus b) the amount of any accrued but unpaid BU Entitlement.
- Subject to the terms of any Arrangement, any remaining liquidation surplus shall be distributed to Shareholders pro-rata to the number of Shares held by them.

Distributions

From net profits of the Company determined in accordance with Luxembourg Law, five per cent shall be deducted and allocated to a legal reserve fund. That deduction will cease to be mandatory when the amount of the legal reserve fund reaches one tenth of the Company's nominal capital.

Subject to the provisions of Luxembourg Law, the Company Articles and any Arrangement, the Company may by Shareholders' Resolution declare distributions to Shareholders pro rata to the number of Shares held by them.

Subject to the provisions of Luxembourg Law, the Company Articles and any Arrangement, the Board of Directors may pay interim dividends to Shareholders pro rata to the number of Shares held by them.

The Shareholders and the BU holders, where applicable, are entitled to participate in a Shareholders' Meeting by videoconference or by telecommunications means allowing their identification, and are deemed to be present for the calculation of quorum and majority conditions and voting.

24. RESERVES

Capital reserve

The changes in capital reserves can be seen in the consolidated statement of changes in equity.

	31 December 2016 £000	31 December 2015 £000
At start of period	**(8,443)**	**—**
Issuance of beneficiary units (''BU'')	—	19
Repurchase of NCI shares	526	(8,462)
Other	(31)	—
At end of period	**(7,948)**	**(8,443)**

The issue price of any Beneficiary Unit shall be allocated to a special reserve (the ''BU Reserve''). The BU and the BU Reserve shall not form part of the share capital of the Company and shall carry those rights set out below.

The BU reserve shall be distributable only upon repurchase or redemption of the BUs or upon liquidation of the Company.

Rights

The BUs shall not carry voting rights except that each BU carries one vote at any shareholders' meeting called upon to resolve upon the appointment or removal of Director(s) of the Company.

24. RESERVES (Continued)

Each holder of BUs shall be entitled to receive an annual distribution corresponding to 0.1% of the Issue Price of the BUs held (the ''BU Entitlement'') payable annually upon decision of the Shareholders' Meeting, at repurchase or redemption of the BUs or upon liquidation of the Company. Any BU Entitlement not paid in a year, shall continue to accrue until it is paid.

Subject to the terms of any Arrangement, the Company, through its Board of Directors, shall have the right to redeem the BUs by providing written notice to the holder(s) of the BUs that within one business day (or such time as the notice may specify, including, without limitation, immediately), all of the BUs shall be fully redeemed by the Company for a price equal to the Issue Price of the BUs plus any accrued but unpaid BU Entitlement.

Translation Reserve

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

Valuation reserve

The valuation reserve comprises the actuarial gains/losses and deferred tax movements on the Group's defined benefit pension scheme.

25. RETAINED DEFICIT

	31 December 2016 £000	31 December 2015 £000
Loss for the period	(31,215)	(68,525)
Non-controlling interest	119	(50)
Loss attributable to equity holders of the parent	**(31,096)**	**(68,575)**

26. NON-CONTROLLING INTEREST

	31 December 2016 £000	31 December 2015 £000
At start of period	**526**	**—**
Non-controlling interest on the acquisition of subsidiary	—	476
(Loss)/profit for the period	(119)	50
Purchase of non-controlling interest	(407)	—
At end of period	**—**	**526**

During the year, the Group purchased the non-controlling interest of 49% in Intratech GmbH.

27. COMMITMENTS

Operating Lease arrangements

The Group as lessee

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Lease payments under operating leases recognised as an expense in the period	**6,674**	**3,119**

Non-cancellable operating lease rentals are payable as follows:

	31 December 2016 £000	31 December 2015 £000
Less than one year	8,604	6,535
More than one year and less than five years	20,421	13,680
More than five years	10,376	8,608
	39,401	**28,823**

Operating lease payments represent rentals payable by the Group for certain of its office properties and car leases.

The main property lease in the UK has been negotiated for a lease term of 15 years, commenced on 9 December 2013, with the option to break, free of charge, after 10 years.

During the year ended December 2016, an additional property lease was negotiated in the UK. This lease commenced on 1 July 2016, for a lease term of 12 years, with the option to break free of charge, after 7 years.

The main property lease in Germany has been negotiated for a lease term of 10 years, commenced on 3 February 2014.

The other property leases are for periods of one to three years with various options for breaks. Car leases run for three years with the option to extend.

Other than the information noted above for Operating Leases, the Group has no other outstanding commitments at 31 December 2016 (31 December 2015: none).

28. SHARE BASED PAYMENTS

On 13 October 2015, the main shareholder of the Company—Garfunkelux Holdco 1 S.à.r.l. entered into a share-based payment arrangement with certain managers of the Group (the ''Garfunkelux Group managers'').

Under this agreement, the Garfunkelux Group managers entered into a nominee agreement with Garfunkelux Nominee S.à.r.l. (''Nominee''), pursuant to which the Nominee is the registered shareholder of the shareholder instruments as nominee for the Garfunkelux Group managers and these managers are the beneficial owners of the shareholder instruments held by Nominee. The Garfunkelux Group managers subscribed for shares in Garfunkelux Holdco 1 S.à.r.l. at a price that approximates the market price of the underlying shares at the date of grant.

The Garfunkelux Group managers further agreed, in the same agreement, to sell back to Garfunkelux Invest S.à.r.l., the main shareholder of Garfunkelux Holdco 1 S.à.r.l., the shares owned in Garfunkelux Holdco 1 S.à.r.l. in the event they cease to be an employee and/or a corporate officer of the Group. The selling price of the shares is determined on the basis of a number of conditions including the service

28. SHARE BASED PAYMENTS (Continued)

period and whether the Garfunkelux Group manager qualifies as good leaver or bad leaver. The sale price of the shares in Garfunkelux Holdco 1 S.à.r.l. owned by the Garfunkelux Group managers will be settled in cash.

In the consolidated financial statement of the Group, this arrangement has been classified as equity settled transaction because the Group has no obligation to settle the transaction with the Garfunkelux Group managers. However since amounts paid by the Garfunkelux Group managers for the subscription of the shares in Garfunkelux Holdco 1 S.à.r.l. are at fair value, the awards have no material fair value at grant date and therefore there is no expense recognised in the SCI for the year or previous year.

29. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

Categories of financial instruments

	31 December 2016 £000	31 December 2015 £000
Financial assets		
Cash and cash equivalents	98,053	106,946
Loans and receivables	831,705	616,461
Other financial assets	40,537	46,052
Financial liabilities		
Borrowings—Notes	1,329,165	1,087,525
Borrowings—(RCF)	75,000	10,000
Borrowings—Shareholder loan	274,376	198,689
Borrowings—other	454	494
Trade and other payables	101,710	60,709
Other financial liabilities	6,567	62,468
Tax liability	17,319	13,988
Provisions	16,361	11,243
Derivatives (FVTPL)	429	816

Financial risk management objectives

As a result of its normal business activities, the Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Conduct risk
- Interest rate risk
- Foreign currency risk
- Capital management risk
- Fair value estimation risk

29. FINANCIAL INSTRUMENTS (Continued)

This note presents information about the exposure of the Group to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Group manages these risks through the Group Executive Committee.

The Group has no exposure to equity markets and does not hold any speculative equity positions.

Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk from the concentration of debtor credit risk is limited due to the high number of individual customer balances and the relatively low value of each of the individual's debts. At 31 December 2016 the Group had 25.9m (31 December 2015: 22.1m) individual customer accounts.

The Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. All portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections. Carrying values are impaired when and if the underlying performance does not meet initial expectations. The on-going risk is managed through utilising a comprehensive portfolio valuation model and building current expectations of recoverability from historical information on debt types and customers into pricing assumptions and models. A pricing committee is in place which is attended by at least two members of the Executive Committee as well as other key members from across areas of the business.

This committee is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

The carrying amount of financial assets recorded in the consolidated financial statements, which are net of impairment losses, represents the Groups maximum exposure to credit risk.

Liquidity risk management

Liquidity risk is the risk of the Group being unable to meet its financial obligations as they fall due, due to insufficient cash, cash equivalents and available drawings. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows. At 31 December 2016, the Group had available undrawn committed borrowing facilities of €112.4m (31 December 2015: €186.4m). See note 19 for further details on banking facilities.

29. FINANCIAL INSTRUMENTS (Continued)

The following tables show the Group's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP date:

As at 31 December 2016

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Notes*	8.25	1,329,165	1,964,310	53,793	53,793	627,226	1,229,498
RCF	3.63	75,000	75,000	75,000	—	—	—
Shareholder loan	9.72	274,376	274,376	—	—	—	274,376
Other liabilities	—	142,840	142,840	140,781	—	2,059	—
Total liabilities		**1,821,381**	**2,456,526**	**269,574**	**53,793**	**629,285**	**1,503,874**

As at 31 December 2015

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Notes*	8.79	1,087,525	1,746,806	49,749	46,750	467,502	1,182,805
RCF	4.00	10,000	10,000	10,000	—	—	—
Shareholder loan	9.72	198,689	198,689	—	—	—	198,689
Other liabilities	—	149,718	149,718	93,024	—	56,694	—
Total liabilities		**1,445,932**	**2,105,213**	**152,773**	**46,750**	**524,196**	**1,381,494**

* Includes Loan principal outstanding and accrued interest (note 19).

Other liabilities includes ''Trade and other payables'', ''Provisions'', ''Derivatives'', ''Current tax liabilities'', ''Other financial liabilities'', ''Other accrued interest'' (note 19) and ''Overdraft'' (note 19).

Ultimate responsibility for liquidity risk management rests with the Group Executive Committee, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

Undrawn Group financing facilities

	31 December 2016 £000	31 December 2015 £000
RCF		
Amount used	75,000	10,000
Amount unused	96,200	137,400
	171,200	**147,400**

The total RCF available of €200m has been translated at the year end at a rate of 0.856 at 31 December 2016 and 0.737 at 31 December 2015.

29. FINANCIAL INSTRUMENTS (Continued)

Operational risk

Operational risk is defined by the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, while the day to day management of operational risk rests with line managers.

Market risk

Market risk is the risk of changes caused by market variables such as prices, type and timing of debt coming to the market, i.e. the cost of consumer debt portfolios.

By bidding for consumer debt portfolios up to a price that enables the Group to achieve a yield high enough to cover all costs of collection and make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios. The Group uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through a Pricing Committee (a subset of the Executive Committee) which is attended by at least two members of the Executive Committee.

The Group manages the unpredictability of the market through a number of financing structures. The Group has in place €365m, £565m and €230m of Senior Secured loan Notes, £230m of Senior loan Notes, and a €200m RCF facility. At 31 December 2016 the RCF facility was £75m drawn down (31 December 2015: £10m). This facility allows the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints.

Conduct risk

Conduct risk is the risk to Customers that the controls and operations of the Group fail. In the UK, a number of entities are regulated by the Financial Conduct Authority (''FCA''). If the FCA deemed the Group's conduct and customer interaction to be poor or non-compliant it can impose a financial penalty and/or financial redress for customers. The ultimate penalty would be the withdrawal of that company's authorisation to provide financial services. The Directors are not aware of any indication that this is a possibility and seek to minimise the risk through initiatives such as the Lowell FAIR programme which enshrines the FCA's six Treating Customers Fairly principles around fair customer treatment in the Group's day-to-day activity. Specifically, the FAIR programme helps shape processes to achieve fair outcomes for customers, assessment of affordability and monitoring and oversight to minimise conduct risk.

Interest rate risk

Interest rate risk is the risk of changing interest rates. The Group has minimised its risk against changes in interest rates by being predominantly funded by fixed rate Notes and share capital.

The Group's RCF has a variable interest rate and at 31 December 2016 this was £75m drawn down (31 December 2015: £10m). Interest is payable on the RCF at a maximum of 3.5% + LIBOR/EURIBOR. The Group's latest bond issuance in September 2016 was a floating rate note with a principal of €230m and an interest rate of 5.5% + EURIBOR (with a floor of 0%).

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the SFP date. A 2.5% per cent increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 2.5% per cent higher and all other variables were held constant, the Group's profit for the year ended 31 December

29. FINANCIAL INSTRUMENTS (Continued)

2016 would be c£2.2m lower (2015: c£0.1m). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

The derivatives recognised relate exclusively to interest rate swaps that the Group concludes with its banking partners in OTC (''Over the Counter'') trade. In order to recognise the fair value of these derivatives, the fair value calculation performed by the Group as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counter parties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Foreign currency risk

The Group has exposure to foreign currency risk through its investments in overseas operations which have functional currencies other than Sterling and foreign currency denominated assets/liabilities and transactions. The Group minimises its foreign currency risk by having both assets and liabilities in functional currencies other than Sterling. The carrying values of the Groups principle foreign currency denominated assets and liabilities are as follows:

	31 December 2016 £000	31 December 2015 £000
Assets	848,601	541,668
Liabilities	938,076	566,961

Foreign Currency Sensitivity

The following table details the Group's sensitivity to a 10% decrease in Euro against Sterling exchange rates. This represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the year end only for a change in foreign currency rates, holding all other variables constant.

	2016 £000	2015 £000
Loss before tax	2,647	3,219
Shareholders' equity	8,342	3,052

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and so to maintain investor, creditor and market confidence. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 19 after deducting cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity (''SoCE'').

The risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

29. FINANCIAL INSTRUMENTS (Continued)

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

	31 December 2016 £000	31 December 2015 £000
Financial assets		
Investments and receivables	872,242	662,513
Cash and cash equivalents	98,053	106,946
Total financial assets	**970,295**	**769,459**
Financial liabilities		
Fair value through SCI	429	816
Financial liabilities measured at amortised cost	1,820,952	1,445,116
Total financial liabilities	**1,821,381**	**1,445,932**

Derivatives with positive and negative fair values

As of 31 December 2016, interest rate swaps with a total negative fair value of £0.4m were held (31 December 2015 £0.8m). There were no interest rate swaps with positive fair values. They were not designated as hedges for hedge accounting purposes (IAS 39). The residual maturity was determined on the basis of the residual maturities of the derivatives.

29. FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values, with portfolio investments and Notes being the only exceptions.

	Carrying amount		Fair Value	
	31 December 2016 £000	31 December 2015 £000	31 December 2016 £000	31 December 2015 £000
Financial assets				
Cash and cash equivalents	98,053	106,946	98,053	106,946
Investments and receivables:				
Portfolio investments	831,705	616,461	835,841	616,559
Other financial assets	40,537	46,052	40,537	46,052
Total financial assets	**970,295**	**769,459**	**974,431**	**769,557**
Financial liabilities				
Fair value through SCI:				
Derivatives	429	816	429	816
Financial liabilities measured at amortised cost:				
Senior Secured Notes*	1,094,947	852,465	1,119,869	852,465
Senior Notes*	234,218	235,060	236,997	235,060
RCF	75,000	10,000	75,000	10,000
Shareholder loan	274,376	198,689	274,376	198,689
Other financial liabilities	142,411	148,902	142,411	148,902
Total financial liabilities	**1,821,381**	**1,445,932**	**1,849,082**	**1,445,932**

* Includes loan principal outstanding and accrued interest (note 19).

For the Group, the fair value of the acquired portfolios is determined using a discounted cashflow model with unobservable inputs and are classified as level 3 measurements. The Senior and the Senior Secured Notes are publicly traded instruments whose value can be obtained from public sources; as a result these are classified as level 1. The remaining financial assets and liabilities carried have a fair value equal to their carrying value.

The fair value of non-financial instruments have been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

The fair value of the portfolios is calculated by discounting the net forecast cashflows. The unobservable inputs in determining the fair value are the discount rate and service cost percentage which differ for portfolios that are not deemed as ''paying'' at the point of acquisition and those that are deemed as ''paying''. A ''paying'' portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cashflows to net and is based on historical information on costs to collect.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

29. FINANCIAL INSTRUMENTS (Continued)

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The acquired portfolio investments fair value is calculated using discounted net 84 month to 120 month forecast cashflows.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2016		
	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value			
Derivatives	—	429	—

	31 December 2015		
	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value			
Derivatives	—	816	—

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39.

	31 December 2016 £000	31 December 2015 £000
Derivative financial instruments with negative fair values		
Not designated as part of a hedge relationship	**429**	**816**

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 as of the balance sheet date. It was not possible to apply the rules of hedge accounting to the derivatives as of 31 December 2016 and 31 December 2015.

30. EMPLOYEE BENEFITS

a) Defined benefit schemes

The Group has defined benefit pension obligations through its German subsidiary GFKL. Pension obligations were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 1.5% and 1.9% (2015: 2.31% and 2.53%), depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated at 1.5% (2015: 1.5%), salary increases in a range from 0.0% to 2.0% (2015: 0.0% to 2.0%), and the employee turnover rate in a range from 0.0% to 2.0% (2015: 0.0% to 2.0%). The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005 G Heubeck mortality tables.

The pension plan for one of the former members of the Executive Board of GFKL Financial Services GmbH includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognised provisions for pensions for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

The net liability is calculated as follows:

	31 December 2016 £000	31 December 2015 £000
Present value of unfunded defined benefit obligation	8,168	6,002
Plan assets	(3,027)	(2,480)
Net liability	**5,141**	**3,522**

The following table shows the changes in the defined benefit obligation:

	31 December 2016 £000	31 December 2015 £000
Opening balance of defined benefit obligation	**6,002**	**—**
Balance of defined benefit obligation on acquisition of subsidiary	—	6,105
Interest expense	164	60
Pension payments	(96)	(30)
Current service cost	75	40
Actuarial losses/(gains)	1,053	(393)
Currency translation adjustments	970	220
Closing balance of defined benefit obligation	**8,168**	**6,002**

30. EMPLOYEE BENEFITS (Continued)

The plan assets offset against the defined benefit obligation are measured at fair value. The change in plan assets were as follows:

	31 December 2016 £000	31 December 2015 £000
Opening balance of plan assets	**2,480**	**—**
Balance of plan assets on acquisition of subsidiary	—	2,341
Net interest income	69	20
Actuarial gains	5	15
Contributions	78	20
Payments	(6)	(1)
Currency translation adjustments	401	85
Closing balance of plan assets	**3,027**	**2,480**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by the Group. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €91k (€91k at 31 December 2015).

Movements in the period on provision for pensions were as follows:

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Opening balance	**3,522**	**—**
Balance on acquisition of subsidiary	—	3,764
Payments arising from pension obligations	(90)	(29)
Allocation to defined benefit obligation	170	100
Allocation to plan assets	(78)	(40)
Actuarial losses/(gains)	1,048	(408)
Currency translation adjustments	569	135
Closing balance	**5,141**	**3,522**

A quantitative sensitivity analysis of the key assumptions as of 31 December 2016 is as shown below:

	31 December 2016 £000
Interest rate	
Increase 0.5%	(754)
Decrease 0.5%	871
Salary trend	
Increase 0.5%	128
Decrease 0.5%	(119)
Benefits trend	
Increase 0.5%	690
Decrease 0.5%	(615)

30. EMPLOYEE BENEFITS (Continued)

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realised changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

	31 December 2016 £000	31 December 2015 £000
Within the next 12 months	202	66
Between 2 and 5 years	853	720
Between 5 and 10 years	1,217	1,017
More than 10 years	12,047	10,474
Total expected payments	**14,319**	**12,277**

The average duration of the defined benefit obligation at the end of the reporting period is 20 years (31 December 2015: 20 years).

b) Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of its operations in the UK. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of £651k (1 June - 31 December 2015: £81k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

As at 31 December 2016, contributions of £115k (31 December 2015: £140k) due in respect of the current reporting period had not been paid over to the schemes.

31. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Company is a wholly owned subsidiary undertaking of Garfunkelux Holdco 1 S.à.r.l., the registered office of which is at 488, route de Longwy, L-1940, Luxembourg.

The ultimate parent company is Garfunkelux S.à.r.l., incorporated in Luxembourg, which is itself held by funds advised by Permira, an international private equity fund.

The Company is the largest group in which results are consolidated.

Period end balances with related parties

	31 December 2016 £000	31 December 2015 £000
Balances with immediate parent undertaking		
Shareholder loan with Garfunkelux Holdco 1 S.à.r.l. (note 19)	274,376	198,689
Balances owed to other related parties		
Loan owed from Garfunkelux Nominee S.à.r.l. (note 17)	2,020	4,903
Permira Beteiligungsberatung GmbH (trading)	5	—
Teamviewer GmbH (trading)	29	—

31. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

	31 December 2016 £000	31 December 2015 £000
Transactions with immediate parent		
Shareholder loan interest with Garfunkelux Holdco 1 S.à.r.l.	(22,664)	(3,956)
Transactions with other related parties		
Loan interest owed from Garfunkelux Nominee S.à.r.l.	254	87
Loan to Garfunkelux Nominee S.à.r.l.	(3,137)	4,903
Permira Beteiligungsberatung GmbH (trading)	114	82
Teamviewer GmbH (trading)	29	—

Capital contributions totalling £43.2m were made into the Group by Garfunkelux Holdco 1 S.à.r.l. during 2016, including £40.1m resulting from the settlement of the financial liability to purchase Simon Holdco shares (note 22).

Remuneration of key management personnel

The remuneration of key management personnel of the Group, who are not Directors of the Company, is set out below in aggregate for each of the categories specified in IAS 24 (Related Party Disclosures):

	Year ended 31 December 2016 £000	1 June - 31 December 2015 £000
Short-term employee benefits	**4,351**	**1,165**

The above details relate to twelve key management personnel (2015: seven) who are Directors and/or senior executives of subsidiary undertakings of the Company. They are paid emoluments by subsidiary companies (Simon Bidco Limited, Lowell Financial Limited and GFKL Financial Services GmbH) for their services to the Group. The Directors of the Company are not paid by any company that forms part of the Group, see note 5d.

32. SUBSEQUENT EVENTS

There were no subsequent events between the balance sheet date and the date of signing.

Company No. B197497

GARFUNKELUX HOLDCO 2 S.A.

Independent Auditor's Report
and Consolidated Financial Statements
As at 31 December 2015 and for the period from
1 June 2015 (date of incorporation) to 31 December 2015

GARFUNKELUX HOLDCO 2 S.A.

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2015

CONTENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GARFUNKELUX HOLDCO 2 S.A.

To the Shareholders of
Garfunkelux Holdco 2 S.A.
488, route de Longwy
L-1940 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 24 September 2015, we have audited the accompanying consolidated financial statements of Garfunkelux Holdco 2 S.A., which comprise the consolidated statement of financial position as at 31 December 2015; the consolidated statement of comprehensive income; the consolidated statement of changes in equity; the consolidated cash flow statement for the period from 1 June 2015 (date of incorporation) to 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the ''réviseur d'entreprises agréé''

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the ''Commission de Surveillance du Secteur Financier''. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the ''réviseur d'entreprises agréé'', including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the ''réviseur d'entreprises agréé'' considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Garfunkelux Holdco 2 S.A. as of 31 December 2015 and of its financial performance and its cash flows for the period from 1 June 2015 (date of incorporation) to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Alban Aubrée

Luxembourg,

25 April 2016

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period from 1 June 2015 (date of incorporation) to 31 December 2015

	Note	1 June - 31 December 2015 £000
Continuing operations		
Revenue		
Income from portfolio investments	15	52,476
Portfolio write up	15	20,718
Portfolio fair value release	15	(573)
Service income		65,828
Other revenue		1,747
Total revenue		**140,196**
Other income		1,922
Operating expenses		
Collection activity costs		(68,511)
Other expenses	5	(73,529)
Total operating expenses		**(142,040)**
Operating profit		**78**
Interest income	6	3,332
Finance costs	7	(77,367)
Other financial expenses		(39)
Loss before tax	4	**(73,996)**
Income tax credit	8	5,471
Loss for the period		**(68,525)**
Loss attributable to:		
Equity holders of the parent	24	(68,575)
Non-controlling interests	25	50
		(68,525)
Other comprehensive income/(expenditure)		
Items that will not be reclassified to profit or loss		
Actuarial gains or losses on pension plans	29	408
Deferred tax on actuarial gains and losses on pension plans		(126)
		282
Items that will or may be reclassified subsequently to profit or loss		
Foreign operations—foreign currency translation differences		**(6,048)**
Other comprehensive income, net of tax		**(5,766)**
Total comprehensive expenditure for the period		**(74,291)**
Total comprehensive expenditure attributable to:		
Equity holders of the parent		(74,341)
Non-controlling interests		50
		(74,291)

The notes on pages F-36 to F-77 form part of these financial statements.

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Note	31 December 2015 £000
Assets		
Non-current assets		
Goodwill	11	861,382
Intangible assets	12	76,067
Property, plant and equipment	13	6,252
Portfolio investments	15	345,683
Other financial assets	17	4,961
Deferred tax asset	9	817
Total non-current assets		**1,295,162**
Current assets		
Portfolio investments	15	270,778
Inventories		41
Trade and other receivables	16	26,834
Assets for current tax		4,246
Other financial assets	17	10,011
Cash and cash equivalents	26	106,946
Total current assets		**418,856**
Total assets		**1,714,018**
Equity		
Share capital	22	3,730
Share premium		357,233
Reserves		(14,209)
Retained earnings	24	(68,575)
Equity attributable to equity holders of the parent		**278,179**
Non-controlling interests	25	526
Total equity		**278,705**
Liabilities		
Non-current liabilities		
Borrowings	18	1,221,147
Provisions for pensions	29	3,522
Provisions	20	605
Derivatives	28	501
Other financial liabilities	21	55,588
Deferred tax liabilities	9	27,405
Total non-current liabilities		**1,308,768**
Current Liabilities		
Trade and other payables	19	60,709
Provisions	20	10,638
Borrowings	18	34,014
Derivatives	28	315
Other financial liabilities	21	6,881
Current tax liabilities		13,988
Total current liabilities		**126,545**
Total equity and liabilities		**1,714,018**

The notes on pages F-36 to F-77 form part of these financial statements.

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period from 1 June 2015 (date of incorporation) to 31 December 2015

	Notes	Share Capital £000	Share Premium £000	Capital Reserve £000	Translation Reserve £000	Valuation Reserve £000	Retained Deficit £000	Total £000	Non-controlling Interest £000	Total Equity £000
Comprehensive income										
Balance at 1 June 2015		—	—	—	—	—	—	—	—	—
Loss for the period		—	—	—	—	—	(68,575)	(68,575)	50	(68,525)
Actuarial gains on pension		—	—	—	—	408	—	408	—	408
Deferred tax on pensions		—	—	—	—	(126)	—	(126)	—	(126)
Exchange differences		—	—	—	(6,048)	—	—	(6,048)	—	(6,048)
Total comprehensive income/ (expenditure)		**—**	**—**	**—**	**(6,048)**	**282**	**(68,575)**	**(74,341)**	**50**	**(74,291)**
Transactions with owners of the Company										
Issuance of share capital on incorporation	22	45	—	—	—	—	—	45	—	45
Increase in share capital	22	3,685	357,233	—	—	—	—	360,918	—	360,918
Issuance of beneficial units	23	—	—	19	—	—	—	19	—	19
Non controlling interest	25	—	—	—	—	—	—	—	476	476
Repurchase of shares in subsidiary	23	—	—	(8,462)	—	—	—	(8,462)	—	(8,462)
Total transactions with owners of the Company		**3,730**	**357,233**	**(8,443)**	**—**	**—**	**—**	**352,520**	**476**	**352,996**
Balance at 31 December 2015		**3,730**	**357,233**	**(8,443)**	**(6,048)**	**282**	**(68,575)**	**278,179**	**526**	**278,705**

The notes on pages F-36 to F-77 form part of these financial statements.

GARFUNKELUX HOLDCO 2 S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

Period from 1 June 2015 (date of incorporation) to 31 December 2015

	Note	1 June - 31 December 2015 £000
Loss for the period before tax		**(73,996)**
Adjustments for:		
Depreciation of property, plant and equipment	13	400
Amortisation of intangible assets	12	3,801
Impairment of assets	12/13	39
Interest receivable	6	(3,332)
Loss on sale of property, plant and equipment and intangible assets		7
Finance costs	7	77,367
Unrealised gains from foreign exchange		(11,733)
		(7,447)
Increase in portfolio investments		(12,631)
Increase in trade and other receivables		(9,186)
Increase in trade and other payables		55,911
Increase in inventories		(28)
Increase in provisions and derivatives		2,989
Cash generated from operating activities		**29,608**
Income taxes paid		(1,631)
Net cash from operating activities		**27,977**
Investing activities		
Interest received		444
Purchase of property, plant and equipment		(187)
Purchase of intangible assets		(1,257)
Proceeds from sale of property, plant and equipment and other intangibles		76
Acquisition of GFKL, net of cash acquired	10a	(315,273)
Acquisition of Lowell, net of cash acquired	10b	(595,115)
Net cash from investing activities		**(911,312)**
Financing activities		
Proceeds from issue of share capital		360,963
Proceeds from issue of Senior Secured Notes		1,053,420
Proceeds from loans and borrowings	18	208,689
Transactions costs related to loans and borrowings	18	(41,547)
Acquisition of non-controlling interests	23	(8,462)
Repayment of borrowings		(530,230)
Interest paid		(53,361)
Net cash from financing activities		**989,472**
Net increase in cash and cash equivalents		106,137
Cash and cash equivalents at beginning of period		—
Effect of movements in exchange rates on cash held		801
Cash and cash equivalents at end of period	26/18	**106,938**

The notes on pages F-36 to F-77 form part of these financial statements.

GARFUNKELUX HOLDCO 2 S.A.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 June 2015 (date of incorporation) to 31 December 2015

1. SIGNIFICANT ACCOUNTING POLICIES

Corporate information

The consolidated financial statements of Garfunkelux Holdco 2 S.A. and its subsidiaries (together ''The Group'') for the period ended 31 December 2015 were authorized for issue in accordance with a resolution of Directors on 25 April 2016. Under Luxembourg Law, the consolidated financial statements are approved by shareholders at the Annual General Meeting. Garfunkelux Holdco 2 S.A. (the Company or the parent) is incorporated as an S.A. (Societe Anonyme) and domiciled in Luxembourg. The registered office is located at 488 route de Longwy, in Luxembourg Ville.

The Group is principally engaged in the provision of credit management services. Information regarding the Group structure is presented in Note 14. Information on other related party transactions is presented in Note 30. Under Luxembourg Law, the consolidated financial statements are approved by shareholders at an Annual General Meeting.

General information and basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. The financial year is the calendar year. As these financial statements are the Group's first consolidated financial statements, the reporting period covers the seven months from 1 June 2015 (date of incorporation) to 31 December 2015.

Functional and presentation currency

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (its ''Functional Currency''). For the purposes of these consolidated financial statements, the results are prepared in Sterling, (the Group's ''Presentational Currency''). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been EU endorsed but are not yet effective for these financial statements.

IFRS 15	Accounting for Revenue from Contracts with Customers
IFRS 11 (amended)	Accounting for Acquisitions of Interest in Joint Operations
IAS 1 (amended)	Disclosure initiative
IAS 16 and IAS 38 (amended)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (amended)	Bearer Plants
IAS 27 (amended)	Equity Method in Separate Financial Statements

We have not adopted any new or revised Standards and Interpretations endorsed but which are not yet effective for these financial statements. Any impact from adoption is not expected to be significant.

The following standard, however, is not yet endorsed but may have a material impact and affect disclosure requirements in future periods:

IFRS 9—Financial Instruments. The current application of the Effective Interest Rate with regards to purchased non-performing assets is thought to be in line with IFRS 9 guidance however additional disclosure requirements, over and above those from IFRS 7, will be required (around compliance with applicable regulation and the management of risk). Management will continue to assess the impact of the three main areas of IFRS 9, being classification and measurement, impairment, and hedge accounting.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 7—Disclosure Initiative—Amendments to IAS 7. The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Basis of consolidation

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing voting rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable return from its involvement with the investee; and
- The ability to use its power over the investee to affect its return.

Generally there is a presumption that a majority of voting rights results in control. To support its presumption and when the Group has less than a majority of voting rights or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangements with the other vote of the investee;
- Rights arising from the contractual arrangements; and
- The Group voting rights and potential voting rights.

Going concern

The Group's business activities are set out in the Statement of Comprehensive Income (''SCI'') and Statement of Financial Position (''SFP'') on pages F-32 and F-33. In addition, Note 28 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Cash EBITDA of the Group is an industry accepted measure of a business's asset base and cashflow generation. The Group has demonstrated strong performance during the period ended 31 December 2015 with the Cash EBITDA of £68.0m.

The business as a whole is cash generative, receiving £216.6m in gross cash collections for the period ended 31 December 2015. The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

The Group has three main sources of funding at 31 December 2015, €365m and £565m of listed Senior Secured loan Notes (''Notes''), £230m of listed Senior loan Notes, and a €200m RCF. There are covenants on the funding which are detailed in Note 18.

There are long term business plans and short term forecasts in place which are reviewed and updated on a regular basis by management. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They consequently adopt the going concern basis of accounting in preparing these financial statements.

Foreign currency

The Group entities are initially recording all their transactions in the Functional Currency of each entity and items included in the financial statements of these entities are measured using their Functional Currency.

Transactions in foreign currencies are translated to the respective Functional Currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

denominated in foreign currencies at the balance sheet date are retranslated to the Functional Currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the Functional Currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's Presentational Currency (Sterling) at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the Foreign Currency Translation Reserve, net of amounts previously attributed to non-controlling interests, is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve. Foreign currency differences arising on the retranslation of a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. At acquisition, non controlling interest (''NCI'') is measured at fair value. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from the date of acquisition.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Total goodwill is tested for impairment annually. Additionally, if there is evidence of impairment in any cash-generating unit (''CGU''), goodwill allocated to that CGU is also tested for impairment.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rated basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On a business combination the portfolio investments are recalculated to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Revenue recognition and effective interest rate method

Finance revenue on acquired portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, net of VAT where applicable. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortised cost using the effective interest method.

The effective interest rate (''EIR'') is the rate that exactly discounts estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition, (i.e. the price paid to acquire the asset). These estimated future cash receipts are reflective of the conditions within the markets which the Group operates and range from 84 months to 120 months. An initial EIR is determined at the acquisition of the portfolio investment, following this there is a short period that is required to adjust the EIR due to the complexity of the portfolios acquired.

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Increases in portfolio carrying values can and do occur should forecasted cashflows be deemed greater than previous estimates. The difference in carrying value following an enhanced collection forecast is recognised in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, an impairment is recognised as a separate line item in the SCI.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

As part of the acquisition accounting around the purchase of Metis Bidco Limited by Simon Bidco Limited on 13 October 2015 the portfolio investments were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift (see Note 15). This uplift is being unwound in line with the profile of gross ERC over an 84 month period from the date of acquisition, in keeping with a standard collection curve profile. This results in over 45% being released in the first 24 months and almost 75% in 48 months.

Service Income

Service income represents amounts receivable for tracing and debt collecting services (commissions) provided to third party clients, net of VAT where applicable. The revenue is recognised when the service is provided (accruals basis) which in this case is when cash is collected from the debtor on behalf of the Group's client.

Impairment of acquired portfolio investments

Acquired portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio investment. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio investment and is included in revenue. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in revenue, up to the point that the reversals equal the previously recognised cumulative revenue. If these reversals exceed the previously recognised cumulative revenue then a n impairment is recognised as a separate SCI line item.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities at fair value through profit or loss

This category relates to financial assets and liabilities that must be recognised at fair value through profit or loss. Such assets or liabilities are initially recognised at cost, which at this point equates to fair value. They must be measured subsequently at fair value.

The main assets and liabilities in the Group falling into this category are derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39.

Loans and receivables

Acquired portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the effective interest rate method.

The portfolio investment asset is analysed between current and non-current in the SFP. The current asset is determined using the expected cash flows arising in the next twelve months after the SFP date. The residual amount is classified as non-current.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables (including Trade receivables) when the recognition of interest would be immaterial.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has forward flow agreements in place in relation to the future acquisition of portfolio investments. Forward flow agreements are pre determined spend commitments whereby price fluctuates depending upon the quality of the debt being purchased. The fair value and subsequent amortised cost of portfolios acquired under these agreements are determined on the same basis as the Group's other acquired portfolio investments.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss / SCI (''FVTPL''), are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost using the effective interest rate method, except for those measured at fair value through the SCI, e.g. derivative liabilities.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group does not hold derivative instruments for trading purposes.

Derivative financial instruments are used for hedging. As of the balance sheet date, they relate both to hedging the risk of a change in the fair value of a recognised asset or a recognised liability and to hedging the risk of variability in cash flows.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in the SCI immediately. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in Note 28.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle that obligation and if a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the SFP date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the discounted present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial liability in respect of the purchase of non controlling interest

The Group has provided a financial liability in respect of the purchase of the remaining 25% of the shares in Simon Holdco Limited (See Note 21). At the time of the Metis Bidco Limited transaction on the 13 October 2015 a legal obligation was created to acquire the remaining shares in Simon Holdco Limited within a certain time frame. This transaction is currently scheduled for May 2016. The financial liability is recognised at the amounts expected to arise at the future date discounted to present value.

Provisions for pensions

The Group provides defined benefit pension plans through some of its German subsidiaries. Provisions for pensions are calculated pursuant to IAS 19. Actuarial models are used to calculate the provisions for pensions and the related pension expenses. These calculations use various assumptions such as current actuarial probabilities (discount factors, increase in cost of living, etc.), assumptions regarding turnover based on age and years of service as well as experience-based assumptions concerning the probability of occurrence of pension payments, annuity payments or endowment payments. The probabilities used in the inputs may deviate from actual developments due to changes in market and economic conditions. Sensitivity analyses are used to determine the financial effects of the deviations in the significant inputs.

Defined contribution pensions

The Group operates a number of defined contribution schemes for the benefit of its employees. Contributions payable are charged to the SCI in the period they are payable.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Litigation costs

Litigation costs represent upfront fees paid during the litigation process, expected to be recoverable from the customer. Release to the SCI is in line with the collection profile.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the SCI because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each SFP date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the SFP date. Deferred tax is charged or credited in the SCI, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

VAT

Income, expenses and assets are recognised net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognised as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collection activity costs

Collection activity costs represents the direct third party costs in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognised as the costs are incurred (accruals basis).

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits with a term from inception of three months or less, less bank overdrafts where there is a right to offset. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances in the same currency.

The Group holds cash on behalf of third parties as part of its collection activities. This restricted cash is shown within cash with a corresponding liability recognised in other payables.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Fixtures and fittings	5 years
Hardware	5 years
Office equipment	5 to 15 years
Leasehold improvements	Life of lease (0 to 15 years)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the SCI.

Borrowing costs are added to the costs of an asset provided it is a qualifying asset pursuant to IAS 23.

Intangible assets

Separately acquired or internally generated intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset will be available for use or sale, that there is an intention and ability to use or sell the asset, that it will generate future economic benefit, and that the expenditure attributable to the asset during its development can be measured. Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 to 5 years	Straight line
Licences	3 to 15 years	Straight line
Other intangible assets	3 to 10 years	Straight line
Trademarks	15 years	Straight line
Customer relationships	5 to 10 years	Expected life of the underlying contract (Collection profile)

Development costs are not amortised until the project they relate to is complete and goes live. Once the project is live the costs are moved from development costs to the relevant category and amortised over the applicable useful economic life.

Assets are reviewed for signs of impairment at least annually and more frequently if necessary. Impairments are recognised where the carrying value of the asset exceeds the future economic benefit.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the Group's financial statements. IFRS requires the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently, and make judgements and estimates that are reasonable and prudent.

The judgements and estimates used in applying the Group's accounting policies that are considered by the Directors to be the most important to the portrayal of its financial position are detailed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

Revenue recognition

Portfolio investments are acquired from institutions at a substantial discount from their face value and are subsequently measured at amortised cost using the EIR method.

The EIR is determined as at the time of acquisition of the portfolio and then reassessed during a short period following acquisition to reflect refinements made to estimates of future cash flows, based on actual data and analysis considered during that time period. It is not subsequently changed.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

The calculation of the EIR for each portfolio is based on the estimation of future cash flows. These cash flows are estimates and are therefore inherently judgemental. These estimates are based upon historical collections data from other portfolios with similar features such as type and quantum of debt, or age.

A change in EIR of +/− 2.5% has the following impact on the income from portfolio investments:

	1 June - 31 December 2015 £000
Plus 2.5%	
Income from portfolio investments	2,366
Portfolio write-up	(5,483)
Increase of income	**(3,117)**
Minus 2.5%	
Income from portfolio investments	(2,368)
Portfolio write-up	5,497
Decrease of income	**3,129**

The impact above has been calculated over the period of 2.5 months for Lowell and 6 months for GFKL.

If the forecast portfolio collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the portfolio and is included in revenue as a portfolio write up.

Impairment of acquired portfolio investments

The portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the initially set EIR. The cash flow forecasts, which represent the undiscounted value of the ERC of our portfolio investments at a given point in time, are calculated over an 84 month to 120 month period, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model.

The calculation of the ERC for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Goodwill and valuation of intangible assets

The Group capitalises goodwill on the acquisition of businesses as discussed in the significant accounting policies. Goodwill is the excess of the cost of an acquired business over the fair value of its net assets. 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 investment portfolios where valuations reflect estimates of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Calculation of the value in use requires an estimate of future cash flows expected to arise from

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

the cash-generating unit after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgements in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

See Note 11 for further details regarding goodwill.

Treatment of VAT backpayments

On 27 October 2011, the European Court of Justice ruled that the purchase of non-performing loans (''NPLs'') does not constitute a supply of services for consideration by the acquirer to the seller. This judgment was mirrored by the German Federal Finance Court on 26 January 2012, in this ruling it was additionally stated that the acquirer could not claim the deduction of input VAT related to the purchase of NPLs. As a result the Group may have to refund the input VAT claimed for this line of business for the period starting from 2004 to the German tax authorities.

The final letter from the German Federal Ministry of Finance on 2 Dec 2015 clarifies the treatment in respect of the purchase of NPLs and includes the expected grandfathering rules.

As a result of these rulings the Group has recognised a provision of £4.2m and corresponding interest of £1.7m for VAT not paid in connection with purchases of NPLs in the years prior to 2012 (see Note 20). However the tax authorities have not concluded the position for the historical period and as a result the amount may change to the benefit or detriment of the Group.

Pension Obligations

When measuring provisions for pensions (£3.5m), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. See note 29 for further details.

3. SEGMENTAL REPORTING

a) Basis for segmentation

Given the recent establishment of the Garfunkel Group, the differing periods of consolidation for Lowell and GFKL in the statutory accounts of Garfunkelux Holdco 2 S.A., and the fact that key decisions are currently made by a Group Executive Board, the Directors believe it is right in the current year to report a single reportable segment. In line with business strategy and evolution we expect sufficient information upon which to base resource allocation decisions to develop.

b) Geographical information

The geographical information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographical information segment revenue has been based on the geographical location of customers, although it should be noted that the geographical mix is not representative given the different acquisition dates of GFKL and Lowell.

	1 June - 31 December 2015 £000
Revenues	
UK	35,247
Germany	104,949
	140,196

3. SEGMENTAL REPORTING (Continued)

	31 December 2015 £000
Non-current assets	
UK	569,250
Germany	374,451
	943,701

Non-current assets above exclude financial instruments and deferred tax assets.

4. LOSS BEFORE TAX

	1 June - 31 December 2015 £000
Loss for the period is after charging:	
Impairment of assets (Notes 12 and 13)	38
Depreciation of property, plant and equipment (Note 13)	400
Amortisation of intangible assets (Note 12)	3,801
Loss on disposal of property, plant and equipment and intangible assets	7
Staff costs (Note 5c)	27,887
Rentals under operating leases (Note 27)	3,119
Exceptional Acquisition costs—Lowell	11,969
Exceptional Acquisition costs—GFKL	7,670

5. STAFF COSTS AND OTHER OPERATING EXPENSES

a) Other operating expenses

	1 June - 31 December 2015 £000
Staff costs (Note 5c)	27,887
Depreciation of property, plant and equipment (Note 13)	400
Amortisation of intangible assets (Note 12)	3,801
Exceptional acquisition costs	19,639
Other operating expenses	21,802
Total other operating expenses	**73,529**

Other operating expenses includes office costs, consultancy, professional fees and the write down of non-performing loans.

5. STAFF COSTS AND OTHER OPERATING EXPENSES (Continued)

b) Auditor's remuneration

	1 June - 31 December 2015 £000
Audit fees of Parent Company and consolidated financial statements	413
Audit related fees of financial statements of subsidiaries	1,800
Tax fees	708
Other services	250
Total auditor's remuneration	**3,171**

Other services comprise corporate finance consultancy and assurance services provided to the Group.

The extent of non-audit services fees payable are reviewed by the Audit Committee in the context of the fees paid by the Group to its other advisors during the period. The Committee also reviews the nature and extent of the non-audit services to ensure that independence is maintained.

c) Staff costs

The average number of employees during the period was:

	Number
Customer account associates	432
Other operational staff	413
Business support	576
Total	**1,421**

The average number of employees was suppressed by the timings of the acquisitions of GFKL and Lowell during the period.

The period end number of employees was:

	Number
Customer account associates	816
Other operational staff	518
Business support	772
Total	**2,106**

	1 June - 31 December 2015 £000
Wages and salaries	24,504
Social security costs	3,295
Pension costs to defined contribution schemes	81
Pension costs to defined benefit schemes (Note 29)	7
Total	**27,887**

5. STAFF COSTS AND OTHER OPERATING EXPENSES (Continued)

d) Directors' remuneration

The Directors are not paid by any Company that forms part of the Group.

Emoluments paid to other key employees who are not Directors of this Company but are Directors of subsidiaries of the Company are detailed in Note 30. These seven employees are paid by subsidiary undertakings of the Company for their services as Directors to the Group.

6. INTEREST INCOME

	1 June - 31 December 2015 £000
Bank interest receivable	218
Net gain on financial instruments designated as fair value through profit or loss	226
Net foreign exchange gain	2,888
Total interest income	**3,332**

7. FINANCE COSTS

	1 June - 31 December 2015 £000
Financial liabilities measured at amortised costs—interest expense:	
Interest payable on the Senior Secured Notes	18,460
Interest payable on the Senior Unsecured Notes	5,060
Fees payable on the Notes	1,171
Fees payable on the Senior Secured Notes redeemed on acquisition of Lowell	31,019
Interest and fees payable on Revolving Credit facility	6,094
Interest payable on bridge financing facilities	2,031
Interest payable on shareholder loan	3,956
Other interest payable	612
Net loss on financial instruments designated as fair value through profit or loss	7,727
Notional interest on financial liabilities relating to NCI	1,237
Total finance costs	**77,367**

8. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	1 June - 31 December 2015 £000
Current taxation	
Corporation tax	1,312
Adjustment in respect of previous periods	(380)
Total current tax charge	**932**
Deferred tax	
Origination and reversal of temporary differences	(7,863)
Change in estimate of recoverable deferred tax	142
Impact of change in tax rate	1,318
Total deferred tax credit (See Note 9)	**(6,403)**
Total tax credit	**(5,471)**

b) Amounts recognised in the Statement of Comprehensive Income

	1 June - 31 December 2015 £000
Pension Provisions	**126**

c) Reconciliation of effective tax rate

The standard average effective rate of corporation tax in Luxembourg is 29.22%. However, as the Group is located in different countries, the standard average effective rate of corporation tax for the group is 25%. The tax credit assessed for the period is lower than this and the differences are explained below:

	1 June - 31 December 2015 £000
Loss on ordinary activities before tax	**(73,996)**
Tax credit on loss on ordinary activities at a combined countries rate of 25%	(18,499)
Effects of:	
Permanent differences	2,382
Income not taxable for tax purposes	5,005
Value adjustments	142
Impact of tax losses carried forward	2,403
Adjustment to tax charge in respect of previous periods	(380)
Tax rate differences	3,531
Other	(55)
Total tax expense	**(5,471)**

9. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following as at 31 December 2015.

	31 December 2015 £000
Recognised in profit or loss	
Intangible assets	(19,020)
Portfolio investments	(15,576)
Tax losses carried forward	10,098
Other	(2,090)
Net tax liabilities	**(26,588)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

The movement in deferred tax balances throughout the period are as follows:

	£000
SCI effect	(6,403)
Equity effect	126
Acquisition of GFKL	26,311
Acquisition of Lowell	5,669
Exchange rate differences	885
Movement in the period	**26,588**
Deferred tax asset	(817)
Deferred tax liability	27,405
At 31 December 2015	**26,588**

Deferred tax assets of £1.6m have not been recognised in respect of tax losses because it is not probable that future taxable profit will be available against which the losses can be utilised.

10. ACQUISITION OF SUBSIDIARIES

On 29 June 2015 the Company made a cash contribution to Garfunkelux Holdco 3 S.A. for £185.7m (€261.0m) for share capital of £3.7m (€5.0m), with the remaining £182.0m (€256.1m) allocated to share premium.

a) Acquisition of GFKL

On 16 June 2015, the Group acquired all of the ordinary shares in Garfunkel Holding GmbH for £19.4k (€27.0k), satisfied in cash. The acquiring company was Garfunkelux Holdco 3 S.A, a wholly owned subsidiary of the Company. In addition, a resolution was approved on 30 June 2015, to contribute into the free capital reserve an amount of £184.2m (€264.4m).

On 30 June 2015, the Group acquired all of the ordinary shares in Carl Holding GmbH for £344.1m (€484.7m). According to the merger agreement dated 6 August 2015, Carl Holding GmbH was merged into Garfunkel Holding GmbH. The entry in the commercial register was made on 19 August 2015.

Garfunkel Holding GmbH owns effectively 100% (of shares excluding treasury shares) of GFKL Financial Services AG, which is the operating unit of the GFKL group made up of itself and 13 affiliated companies (see Note 14 for group structure).

In the 6 months to 31 December 2015 the subsidiary group contributed a net gain of £8.4m to the consolidated net loss for the year. If the acquisition had occurred on 1 January 2015, Group revenue

10. ACQUISITION OF SUBSIDIARIES (Continued)

would have been £90.8m higher and net loss would have been £7.8m lower. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2015.

Identifiable assets acquired and liabilities assumed

The following table summarises the provisional recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	2,499
Intangible assets	64,375
Portfolios	86,866
Inventories	13
Trade and other receivables	17,393
Cash and cash equivalents	29,509
Interest-bearing loans and borrowings	(68,167)
Trade and other payables	(32,779)
Provisions	(12,592)
Deferred tax liabilities	(26,311)
Income taxes	(12,745)
Total identifiable net assets acquired	**48,061**

No increase or impairment value was recognised for trade receivables at the acquisition date.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred from the date of acquisition.

	Recognised values on acquisition £000
Total cash consideration transferred	**344,782**

Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Customer relationships	Income approach
Trade names	Relief from royalty
Non-performing loans	Income approach
Assembled workforce	Cost approach

No contingent consideration or contingent liabilities remain in respect of the acquisition as at 31 December 2015.

10. ACQUISITION OF SUBSIDIARIES (Continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Recognised values on acquisition £000
Consideration transferred	344,782
Non-controlling interest	618
Fair value of identifiable net assets	(48,061)
Goodwill	**297,339**

Goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised.

None of the Goodwill recognised is expected to be deductible for income tax purposes.

b) Acquisition of Lowell

On 13 October 2015, Simon Bidco Limited acquired 100% of the ordinary shares in Metis Bidco Limited for £611.7m.

Metis Bidco Limited and its 18 wholly owned subsidiaries (See Note 14 for group structure) make up the Lowell Group.

In the 11 weeks to 31 December 2015 the subsidiary contributed net loss of £34.3m to the consolidated net loss for the year. If the acquisition had occurred on 1 January 2015, Group revenue would have been £131.4m higher and net loss would have been £7.2m higher. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2015.

Identifiable assets acquired and liabilities assumed

The following table summarises the provisional recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	4,002
Intangible assets	12,065
Portfolios	513,608
Trade and other receivables	15,150
Cash and cash equivalents	16,616
Interest-bearing loans and borrowings	(462,063)
Trade and other payables	(35,312)
Deferred tax liabilities	(5,669)
Total identifiable net assets acquired	**58,397**

No increase or impairment of value was recognised for trade receivables at the acquisition date.

10. ACQUISITION OF SUBSIDIARIES (Continued)

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	Recognised values on acquisition £000
Cash	375,762
Settlement by issuance of equity/financial instruments	235,969
Total consideration transferred	**611,731**

Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Customer relationships	Income approach
Trade names	Relief from royalty
Non-performing loans	Income approach
Assembled workforce	Cost approach

No contingent consideration or contingent liabilities remain in respect of the acquisition as at 31 December 2015.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Recognised values on acquisition £000
Consideration transferred	611,731
Fair value of identifiable net assets	(58,397)
Goodwill	**553,334**

Goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised.

None of the Goodwill recognised is expected to be deductible for income tax purposes.

11. GOODWILL

	Total £000
Cost	
Addition on acquisition of GFKL (Note 10a)	297,339
Addition on acquisition of Lowell (Note 10b)	553,334
Effect of currency translation	10,709
At 31 December 2015	**861,382**
Net book value	
At 31 December 2015	**861,382**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to two aggregated CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes, and are not larger than the single operating segment defined under IFRS 8 (Operating Segments). The two CGUs identified are Lowell, comprising of all subsidiary companies operated in the UK owned by Metis Bidco Limited, and GFKL, consisting of all subsidiary companies operated in Germany owned by Garfunkel Holding GmbH. The Goodwill is measured on a provisional basis and may be subject to change

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGUs is determined as the higher of fair value less cost to sell and value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to collections and direct costs during the period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rate used to discount the forecast cash flows for the CGU's are based upon the subsidiary group's weighted average cost of capital (''WACC'') and are as follows:

	31 December 2015 £000
Lowell CGU	9.39%
GFKL CGU	6.33%

The Group prepares cash flow forecasts derived from the most recent detailed financial budgets approved by management for the next five years. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value.

Lowell CGU

Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 31 December 2015.

GFKL CGU

Based on the value in use a fall in the forecast cashflows of 60% would result in an impairment at 31 December 2015.

12. INTANGIBLE ASSETS

	Software and licences £000	Development costs £000	Customer relationships £000	Trademarks £000	Total £000
Cost					
At 1 June 2015	—	—	—	—	—
Acquisition of subsidiaries	7,296	3,534	50,478	15,133	76,441
Additions	410	847	—	—	1,257
Reclassification	665	(665)	—	—	—
Currency exchange differences	210	99	1,816	210	2,335
Disposals	(76)	—	—	—	(76)
At 31 December 2015	**8,505**	**3,815**	**52,294**	**15,343**	**79,957**
Accumulated amortisation					
At 1 June 2015	—	—	—	—	—
Charge for the period	(927)	(15)	(2,559)	(300)	(3,801)
Asset impairment	(9)	—	—	—	(9)
Currency exchange differences	(15)	—	(60)	(5)	(80)
At 31 December 2015	**(951)**	**(15)**	**(2,619)**	**(305)**	**(3,890)**
Net book value At 31 December 2015	**7,554**	**3,800**	**49,675**	**15,038**	**76,067**

Reclassifications: Development costs can be a combination of ‘‘Software and Licences’’ and ‘‘Property, Plant and Equipment’’. When projects go live and development costs are reclassified they are transferred to ‘‘Software and Licences’’ or ‘‘Property, Plant and Equipment’’ (Note 13).

Intangible assets acquired through the acquisition of subsidiaries are included in cost at their net book value at the time of the acquisition.

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 June 2015	—	—	—	—	—
Acquisition of subsidiaries	116	2,358	1,261	2,766	6,501
Additions	3	12	48	124	187
Disposals	—	—	(13)	(79)	(92)
Currency exchange differences	—	—	—	91	91
At 31 December 2015	**119**	**2,370**	**1,296**	**2,902**	**6,687**
Accumulated depreciation					
At 1 June 2015	—	—	—	—	—
Charge for the period	(11)	(52)	(105)	(316)	(484)
Disposals	—	—	10	74	84
Asset impairment	—	—	—	(29)	(29)
Currency exchange differences	—	—	—	(6)	(6)
At 31 December 2015	**(11)**	**(52)**	**(95)**	**(277)**	**(435)**
Net book value At 31 December 2015	**108**	**2,318**	**1,201**	**2,625**	**6,252**

Property, Plant and Equipment acquired through the acquisition of subsidiaries are included in cost at their net book value at the time of the acquisition.

14. GROUP STRUCTURE

The Group includes the following subsidiary undertakings. All subsidiaries are included in the consolidation:

Name	Country of incorporation	Ordinary share holding %
Garfunkelux Holdco 3 S.A	Luxembourg	100
Garfunkel Holding GmbH	Germany	100
GFKL Financial Services GmbH (Formerly GFKL Financial Services AG)	Germany	100
Zyklop Deutschland GmbH	Germany	100
GFKL Pay Protect GmbH (Formerly Domnowski Inkasso GmbH)	Germany	100
Proceed Portfolio Services GmbH	Germany	100
GFKL Collections GmbH	Germany	100
Deutsche Multlauskunftel GmbH	Germany	100
GFKL Service Center GmbH	Germany	100
Proceed Collection Services GmbH	Germany	100
Sirius Inkasso GmbH	Germany	100
INKASSO BECKER WUPPERTAL GmbH & Co. KG	Germany	100
IBW Verwaltungsund Beteilligungs GmbH	Germany	100
Intratech GmbH	Germany	51
debifact Factoring GmbH & Co. KG	Germany	100
debifact Verwaltungs GmbH	Germany	100
Simon Holdco Limited	Jersey	75*
Simon Midco Limited	UK	75*
Simon Bidco Limited	UK	75*
Metis Bidco Limited	UK	75*
Lowell Finance Holdings Limited	UK	75*
Lowell Group Financing Plc	UK	75*
Lowell Group Limited	UK	75*
Lowell Funding Limited	UK	75*
Lowell Acquisitions Limited	UK	75*
Lowell Holdings Ltd	UK	75*
Lowell Finance Ltd	UK	75*
Lowell Financial Ltd	UK	75*
Lowell Portfolio I Ltd	UK	75*
Tocatto Ltd	UK	75*
Lowell Portfolio III Holdings Limited	UK	75*
Lowell Portfolio III Limited	UK	75*
Lowell Portfolio IV Holdings Limited	UK	75*
Lowell Portfolio IV Limited	UK	75*
Lowell Solicitors Limited	UK	75*
Interlaken Group Limited	UK	75*
Fredrickson International Limited	UK	75*
SRJ Debt Recoveries Limited	UK	75*

* As at 31 December 2015 the Company indirectly owned 75% of Simon Holdco Limited and all of its subsidiaries, both direct and indirect. The results of Simon Holdco Limited and all of its direct and indirect subsidiaries are consolidated at an effective 100% ownership as a legal obligation was created at the point of acquisition on 13 October 2015 that all the remaining shares would be acquired at a later date. This transaction is scheduled to take place in May 2016. This transaction results in a financial liability of £55.5m as noted in Note 21.

15. PORTFOLIO INVESTMENTS

	31 December 2015 £000
Non-current	
Portfolio investments	345,683
Current	
Portfolio investments	270,778
Total	**616,461**

The movements in acquired portfolio investments were as follows:

	31 December 2015 £000
As at the period brought forward	—
On acquisition of subsidiaries	600,474
Portfolios acquired during the period	46,820
Collections in the period	(103,052)
Income from portfolio investments	52,476
Portfolio fair value release	(573)
Portfolio write-up	20,718
Write down of non-performing loans	(3,488)
Other	3,086
As at the period end	**616,461**

16. TRADE AND OTHER RECEIVABLES

	31 December 2015 £000
Trade receivables	9,199
Other receivables	17,558
Tax receivable	77
	26,834

Trade receivables are primarily made up of amounts due from clients for services provided. This figure includes gross receivables of £8.0m, and an allowance for bad debt of £0.3m. Average receivables days as at 31 December 2015 are 52.6.

17. OTHER FINANCIAL ASSETS

	31 December 2015 £000
Non-current	
Receivables from affiliated companies	4,903
Other financial assets	58
	4,961
Current	
Securitisation receivables	2,094
Other financial assets	7,917
	10,011
	14,972

Receivables from affiliated companies relate to loans made to Garfunkelux Nominee S.A.R.L together with accrued interest.

18. BORROWINGS

	31 December 2015 £000
Non-current	
Unsecured borrowing at amortised cost	
Senior Notes	230,000
Prepaid costs on Senior Notes	(9,197)
Shareholder loan owed to Garfunkelux Holdco 1 S.A.R.L	198,689
Total unsecured	**419,492**
Secured borrowing at amortised cost	
Senior Secured Notes	834,005
Prepaid costs on Senior Secured Notes	(32,350)
Total Secured	**801,655**
Total borrowings due for settlement after 12 months	**1,221,147**
Current	
Unsecured borrowing at amortised cost	
Bank overdraft	8
Interest on Senior Notes	5,060
Revolving credit facility	10,012
Other interest payable	474
Total unsecured	**15,554**
Secured borrowing at amortised cost	
Interest on Senior Secured Notes	18,460
Total Secured	**18,460**
Total borrowings due for settlement before 12 months	**34,014**

During the period financing transaction costs of £41.5m were incurred in respect of Senior and Senior Secured Notes.

18. BORROWINGS (Continued)

All borrowings are measured at amortised cost using the effective interest rate method. The other principal features of the Group's borrowings are as follows:

Senior Secured Notes ("Notes")

On 23 July 2015 the Group issued €365m 7.5% Senior Secured Notes due 2022, through its subsidiary Garfunkelux Holdco 3 S.A. The interest on the Notes is payable semi-annually on 1 February and 1 August, commencing 1 February 2016. The Notes will mature on 1 August 2022, though the Group may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 20 July 2015.

On 19 October 2015 the Group issued a further £565m 8.5% Senior Secured Notes due 2022, through its subsidiary Garfunkelux Holdco 3 S.A. The interest on the Notes is payable semi-annually on 1 May and 1 November, commencing 1 May 2016. The Notes will mature on 1 November 2022, though the Group may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 14 October 2015.

The Senior Secured Notes are secured on the assets of the Group.

There are two covenant measures under the terms of the Notes; Fixed Charge Coverage Ratio, which must be at least 2:1 and Consolidated Senior Secured Leverage Ratio, which cannot exceed 4.5:1. Both covenants are incurrance covenants.

Senior Unsecured Notes ("Notes")

On 19 October 2015 the Company issued a further £230m 11.0% Senior Notes due 2023. The interest on the Notes is payable semi-annually on 1 May and 1 November, commencing 1 May 2016. The Notes will mature on 1 November 2023, though the Group may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 14 October 2015.

There is one covenant measure under the terms of the Notes, the Fixed Charge Coverage Ratio, which must be at least 2:1. Again, this is an incurrance covenant only.

Bridge financing

On 30 June 2015 the Group entered into a loan facility agreement for €365.2m through its subsidiary Garfunkelux Holdco 3 S.A., which was used as a current bridge financing until redeemed by the bond issue on 23 July 2015. The loan had an interest rate of 5.25% margin plus EURIBOR.

On 13 October 2015 the Company entered into a senior loan facility agreement for £240.0m, on the same date its subsidiary, Garfunkelux Holdco 3 S.A., also entered into a Senior Secured loan facility agreement for £555.0m. Both of these loans were used as bridge financing until redeemed by the Notes issued on 19 October 2015. The loans had interest rates of 10.09% and 8.03% respectively.

Revolving Credit Facility ("RCF")

The Group entered into an RCF on 29 June 2015 for €60m. On 18 August 2015 the facility was increased to €200m. The RCF has a variable interest rate linked to LIBOR and a quarterly commitment fee calculated on the undrawn facility.

Any Material Company or other member of the Group, which becomes a guarantor of the Amended and Restated RCF is required (subject to agreed security principles) to grant security over certain of its material assets and (if wholly owned by another member or members of the Group) to have its shares (or equivalent ownership interests) secured in favour of the Security Agent.

There is one covenant measure under the terms of the RCF additional to the covenant measures under the Senior Secured Notes as follows: if the aggregate amount of all loan utilisations exceed an amount

18. BORROWINGS (Continued)

equal to 30% of the total commitments, the Group is required to confirm whether or not the Leverage Ratio exceeds 7:1.

Shareholder Loan

The Group entered into a loan facility in October 2014 for €260.4m with its holding company Garfunkelux Holdco 1 S.A.R.L. The loan has an interest rate of 9.73%.

The shareholder loan has a maturity date that falls six months following the maturity of the Senior Notes or the date of the latest maturing of any outstanding Senior debt of the company.

The weighted average interest rates during the period were as follows:

	31 December 2015 £000
Notes	8.79%
Bridge financing	7.83%
RCF	4.00%
Shareholder loan owed to Garfunkelux Holdco 1 S.A.R.L.	9.73%

19. TRADE AND OTHER PAYABLES

	31 December 2015 £000
Trade payables	8,200
Anticipated losses from onerous contracts	103
Other taxes and social security	3,907
Accruals and deferred income	16,052
Other payables	32,447
	60,709

Other payables includes amounts due of £10.7m in respect of portfolios purchased but not yet paid for at 31 December 2015.

20. PROVISIONS

	31 December 2015 £000
Non-current	
Provisions for pensions (see Note 29)	3,522
Other provisions	605
	4,127
Current	
Provisions for VAT backpayments	5,928
Restructuring Provision	1,131
Other provisions	3,579
	10,638

21. OTHER FINANCIAL LIABILTIES

	31 December 2015 £000
Non-current	
Liability to purchase Simon Holdco Limited shares (see Note 14)	55,471
Other financial liabilities	117
	55,588
Current	
Liability from potential treasury shares	5,522
Liability from portfolio financing	1,359
	6,881

The liability in respect of treasury shares relate to the merger of ABIT AG (''ABIT'') and GFKL Financial Services AG in 2006. The liability arises from ABIT shareholders outstanding claims which will be fulfilled by a cash settlement. This liability relates to the unsettled amounts together with accrued interest.

22. SHARE CAPITAL

	31 December 2015 £000
Called up, allotted and fully paid:	
Share capital on incorporation (6,200,000 ordinary shares of €0.01 each)	45
Increase in share capital (493,800,005 ordinary shares of €0.01 each)	3,685
	3,730

The rights attached to the ordinary shares are as follows:

Voting

Each shareholder shall have one vote for every Share held. Each Shareholder and Beneficiary Unit (''BU'') holder (see Note 23), where applicable, may vote through voting forms in the manner set out in the convening notice in relation to a Shareholders' Meeting. The Shareholders and the BU holders may only use voting forms provided by the Company and which contain at least the place, date and time of the meeting, the agenda of the meeting, the proposal submitted to the decision of the meeting, as well as for each proposal three boxes allowing the Shareholder and the BU holder to vote in favour, against, or abstain from voting on each proposed resolution by ticking the appropriate box.

Return of Capital

In the event of a dissolution and liquidation of the Company, any liquidation surplus shall be distributed in the following order:

- The holders of the BUs shall receive an amount corresponding to a) the Issue Price of the BUs held by them plus b) the amount of any accrued but unpaid BU Entitlement.
- Subject to the terms of any Arrangement, any remaining liquidation surplus shall be distributed to Shareholders pro rata to the number of Shares held by them.

22. SHARE CAPITAL (Continued)

Distributions

From net profits of the Company determined in accordance with Luxembourg Law, five per cent shall be deducted and allocated to a legal reserve fund. That deduction will cease to be mandatory when the amount of the legal reserve fund reaches one tenth of the Company's nominal capital.

Subject to the provisions of Luxembourg Law, the Company Articles and any Arrangement, the Company may by Shareholders' Resolution declare distributions to Shareholders pro rata to the number of Shares held by them.

Subject to the provisions of Luxembourg Law, the Company Articles and any Arrangement, the Board of Directors may pay interim dividends to Shareholders pro rata to the number of Shares held by them.

The Shareholders and the BU holders, where applicable, are entitled to participate in a Shareholders' Meeting by videoconference or by telecommunications means allowing their identification, and are deemed to be present for the calculation of quorum and majority conditions and voting.

23. RESERVES

Capital reserves

During the period Garfunkel Holding GmbH purchased additional shares of GFKL Financial Services AG from minorities. Garfunkel Holding GmbH initialised a squeeze out of the minority interests of GFKL Financial Services AG. This resulted in a negative capital reserve of £8,462k.

The changes in capital reserves can be seen in the consolidated statement of changes in equity.

	31 December 2015 £000
Beneficiary Units (''BU'')	19
Repurchase of NCI shares	(8,462)
	(8,443)

The issue price of any Beneficiary Unit shall be allocated to a special reserve (the ''BU Reserve''). The BU and the BU Reserve shall not form part of the share capital of the Company and shall carry those rights set out below.

The BU reserve shall be distributable only upon repurchase or redemption of the BUs or upon liquidation of the Company.

Rights

The BUs shall not carry voting rights except that each BU carries one vote at any shareholders' meeting called upon to resolve upon the appointment or removal of Director(s) of the Company.

Each holder of BUs shall be entitled to receive an annual distribution corresponding to 0.1% of the Issue Price of the BUs held (the ''BU Entitlement'') payable annually upon decision of the Shareholders' Meeting, at repurchase or redemption of the BUs or upon liquidation of the Company. Any BU Entitlement not paid in a year, shall continue to accrue until it is paid.

Subject to the terms of any Arrangement, the Company, through its Board of Directors, shall have the right to redeem the BUs by providing written notice to the holder(s) of the BUs that within one business day (or such time as the notice may specify, including, without limitation, immediately), all of the BUs shall be fully redeemed by the Company for a price equal to the Issue Price of the BUs plus any accrued but unpaid BU Entitlement.

24. RETAINED DEFICIT

	31 December 2015 £000
Loss for the period	(68,525)
Non controlling interest	(50)
At 31 December 2015	**(68,575)**

25. NON-CONTROLLING INTEREST

	31 December 2015 £000
Profit for the period	50
Non controlling interest on the acquisition of subsidiary	476
At 31 December 2015	**526**

The non controlling interest belongs to a third party, which owns 49% of the shares of Intratech GmbH.

26. CASH AND CASH EQUIVALENTS

	31 December 2015 £000
Cash and bank balances	90,804
Restricted cash balances	16,142
	106,946

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

The Group holds cash on behalf of third parties as part of its collection activities. These restricted cash balances are shown within cash.

27. COMMITMENTS

Operating Lease arrangements

The Group as lessee

	1 June - 31 December 2015 £000
Lease payments under operating leases recognised as an expense in the period	**3,119**

27. COMMITMENTS (Continued)

Non-cancellable operating lease rentals are payable as follows:

	31 December 2015 £000
No later than one year	6,535
Later than one year and no later than five years	13,680
Later than five years	8,608
	28,823

Operating lease payments represent rentals payable by the Group for certain of its office properties and car leases.

The main property lease in the UK has been negotiated for a lease term of 15 years, commenced on 9 December 2013, with the option to break, free of charge, after 10 years.

The main property lease in Germany has been negotiated for a lease term of 10 years, commenced on 3 February 2014.

The other property leases are for periods of one to three years with various options for breaks. Car leases run for three years with the option to extend.

Other than the information noted above for Operating Leases, the Group has no other outstanding commitments at 31 December 2015.

28. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Categories of financial instruments

	31 December 2015 £000
Financial assets	
Cash and cash equivalents	106,946
Loans and receivables	616,461
Other financial assets	46,052
Financial liabilities	
Borrowings—Notes	1,087,525
Borrowings—(RCF)	10,012
Borrowings—Shareholder loan	198,689
Borrowings—other	482
Trade and other payables	60,709
Other financial liabilities	62,468
Tax liability	13,988
Provisions	14,765
Derivatives (FVTPL)	816

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives

As a result of its normal business activities, the Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Conduct risk
- Interest rate risk
- Foreign currency risk
- Capital management risk
- Fair value estimation risk

This note presents information about the exposure of the Group to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Group manages these risks through the Group Executive Committee.

The Group has no exposure to equity markets and does not hold any speculative equity positions.

Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk from the concentration of debtor credit risk is limited due to the high number of individual customer balances and the relatively low value of each of the individual's debts. At 31 December 2015 the Group had 22.1m individual customer accounts.

The Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. All portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections. Carrying values are impaired when and if the underlying performance does not meet initial expectations. The on-going risk is managed through utilising a comprehensive portfolio valuation model and building current expectations of recoverability from historical information on debt types and customers into pricing assumptions and models. A pricing committee is in place which is attended by at least two members of the Executive Board as well as other key members from across areas of the business.

This committee is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

The carrying amount of financial assets recorded in the consolidated financial statements, which are net of impairment losses, represents the Groups maximum exposure to credit risk.

Liquidity risk management

Liquidity risk is the risk of the Company and the Group being unable to meet its financial obligations as they fall due, due to insufficient cash, cash equivalents and available drawings. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's or the Group's reputation.

28. FINANCIAL INSTRUMENTS (Continued)

The Company and the Group manage liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows. At 31 December 2015, the Group had available undrawn committed borrowing facilities of €186.4m. See Note 18 for further details on banking facilities.

The following tables show the Group's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP date:

As at 31 December 2015

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Notes*	8.79	1,087,525	1,746,806	49,749	46,750	467,502	1,182,805
Revolving credit facility	4.00	10,012	10,012	10,012	—	—	—
Shareholder loan	9.73	198,689	198,689	—	—	—	198,689
Other liabilities	—	153,228	153,228	93,012	—	60,216	—
Total liabilities		**1,449,454**	**2,108,735**	**152,773**	**46,750**	**527,718**	**1,381,494**

* Includes Loan principal outstanding and accrued interest (Note 18).

Other liabilities includes ''Trade and other payables'', ''Provisions'', ''Derivatives'', ''Current tax liabilities'', ''Other financial liabilities'', ''Other accrued interest'' (Note 18) and ''Overdraft'' (Note 18).

Ultimate responsibility for liquidity risk management rests with the Group Executive Committee, which has established an appropriate liquidity risk management framework for the management of the Company's and the Group's short, medium and long-term funding and liquidity management requirements. The Company and the Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

Undrawn Group financing facilities

	31 December 2015 £000
RCF	
Amount used	10,000
Amount unused	137,400
	147,400

The total RCF available of €200m has been translated at the year end at a rate of 0.737.

Operational risk

Operational risk is defined by the Company and the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, while the day to day management of operational risk rests with line managers.

28. FINANCIAL INSTRUMENTS (Continued)

Market risk

Market risk is the risk of changes caused by market variables such as prices, type and timing of debt coming to the market, i.e. the cost of consumer debt portfolios.

By only bidding for consumer debt portfolios up to a price that enables the Group to achieve a yield high enough to cover all costs of collection and make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios. The Group uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through a Pricing Committee (a subset of the Executive Committee) which is attended by at least two members of the executive board.

The Group manages the unpredictability of the market through a number of financing structures. The Group has in place €365m and £565m of Senior Secured loan Notes, £230m of Senior loan Notes, and a €200m RCF facility. At 31 December 2015 the RCF facility was £10m drawn down. This facility allows the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints.

Conduct risk

Conduct risk is the risk to Customers that the controls and operations of the Group fail. In the UK, a number of entities are regulated by the Financial Conduct Authority (''FCA''). If the FCA deemed the Company's and Group's conduct and customer interaction to be poor or non compliant it can impose a financial penalty and/or financial redress for customers. The ultimate penalty would be the withdrawal of the Company's authorisation to provide financial services. The Directors are not aware of any indication that this is a possibility and seek to minimise the risk through initiatives such as the Lowell FAIR programme, which was launched in December 2013, and enshrines the FCA's six Treating Customers Fairly principles around fair customer treatment in the Company's day-to-day activity. Specifically, the FAIR programme helps shape processes to achieve fair outcomes for customers, assessment of affordability and monitoring and oversight to minimise conduct risk.

Interest rate risk

Interest rate risk is the risk of changing interest rates. The Group has minimised its risk against changes in interest rates by being funded by fixed rate Notes and share capital.

The Group's RCF has a variable interest rate at 31 December 2015 this was £10m drawn down.

Derivatives are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates. The Group enters into interest rate caps and interest rate swaps to mitigate the risk of changing interest rates. As of 31 December 2015, interest rate swaps with a total negative fair value of £0.8m were held. There were no interest rate swaps with positive fair values. They were not designated as hedges for hedge accounting purposes (IAS 39). The residual maturity was determined on the bases of the residual maturities of the derivative.

Foreign currency risk

The Group has exposure to foreign currency risk through its investments in overseas operations which have functional currencies other than Sterling. The Group minimises its foreign currency risk by having

28. FINANCIAL INSTRUMENTS (Continued)

both assets and liabilities in functional currencies other than sterling. The carrying values of the Groups principle foreign currency denominated assets and liabilities are as follows:

	31 December 2015	
	Assets £000	Liabilities £000
Euro	541,668	566,961

Foreign Currency Sensitivity

The following table details the Group's sensitivity to a 10% decrease in Euro against Sterling exchange rates. This represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the year end only for a change in foreign currency rates, holding all other variables constant.

	£000
Loss before tax	22,137
Shareholders' equity	2,529

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and so to maintain investor, creditor and market confidence. Neither the Parent Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 18 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity (''SoCE'').

The risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

	31 December 2015 £000
Financial assets	
Investments and receivables	662,513
Cash and cash equivalents	106,946
Total financial assets	**769,459**
Financial liabilities	
Fair value through SCI	4,338
Financial liabilities measured at amortised cost	1,445,116
Total financial liabilities	**1,449,454**

28. FINANCIAL INSTRUMENTS (Continued)

Derivatives with positive and negative fair values

As of 31 December 2015, interest rate swaps with a total negative fair value of £0.8m were held. There were no interest rate swaps with positive fair values. They were not designated as hedges for hedge accounting purposes (IAS 39). The residual maturity was determined on the basis of the residual maturities of the derivatives.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the SFP date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at SFP date was outstanding for the whole period. A 2.5% per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 2.5% per cent higher and all other variables were held constant, the Group's profit for the period ended 31 December 2015 would be c£0.1m lower. This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

The derivatives recognised relate exclusively to interest rate swaps that the Group concludes with its banking partners in OTC trade. In order to recognise the fair value of these derivatives, the fair value calculation performed by the Group as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counter parties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

28. FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values, with portfolio investments being the only exception.

	31 December 2015	
	Carrying Amount £000	Fair Value £000
Financial assets		
Cash and cash equivalents	106,946	106,946
Investments and receivables:		
Portfolio investments	616,461	616,559
Other financial assets	46,052	46,052
Total financial assets	**769,459**	**769,557**
Financial liabilities		
Fair value through SCI:		
Provisions for pensions	3,522	3,522
Derivatives	816	816
Financial liabilities measured at amortised cost:		
Senior Secured Notes*	852,465	852,465
Senior Notes*	235,060	235,060
RCF	10,012	10,012
Shareholder loan	198,689	198,689
Other financial liabilities	148,890	148,890
Total financial liabilities	**1,449,454**	**1,449,454**

* Includes Loan principal outstanding and accrued interest (Note 18).

For the Group, the fair value of the acquired portfolios is determined using a discounted cashflow model with unobservable inputs and are classified as level 3 measurements. The Senior and the Senior Secured Notes are publicly traded instruments whose value can be obtained from public sources; as a result these are classified as level 1. The remaining financial assets and liabilities carried have a fair value equal to their carrying value.

The fair value of non-financial instruments have been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

The fair value of the portfolios is calculated by discounting the net forecast cashflows. The unobservable inputs in determining the fair value are the discount rate and service cost percentage which differ for portfolios that are not deemed as ''paying'' at the point of acquisition and those that are deemed as ''paying''. A ''paying'' portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cashflows to net and is based on historical information on costs to collect.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

28. FINANCIAL INSTRUMENTS (Continued)

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The acquired portfolio investments fair value is calculated using discounted net 84 month to 120 month forecast cashflows.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2015		
	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value			
Provisions for pensions	—	3,522	—
Derivatives	—	816	—

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39.

	31 December 2015 £000
Derivative financial instruments with negative fair values	
Not designated as part of a hedge relationship	**816**

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 as of the balance sheet date. It was not possible to apply the rules of hedge accounting to the derivatives as of 31 December 2015.

29. EMPLOYEE BENEFITS

The Group has defined benefit pension obligations through its German subsidiary GFKL. Pension obligations were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 2.31% and 2.53%, depending on the group of beneficiaries, was used for this purpose. The

29. EMPLOYEE BENEFITS (Continued)

defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated at 1.5%, salary increases in a range from 0.0% to 2.0%, and the employee turnover rate in a range from 0.0% to 2.0%. The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005 G Heubeck mortality tables.

The pension plan for one of the former members of the Executive Board of GFKL Financial Services GmbH includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognised provisions for pensions for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

The net liability is calculated as follows:

	31 December 2015 £000
Present value of unfunded defined benefit obligation	6,002
Plan assets	(2,480)
Net liability	**3,522**

The following table shows the changes in the defined benefit obligation:

	31 December 2015 £000
Balance of defined benefit obligation on acquisition of subsidiary	6,105
Interest expense	60
Pension payments	(30)
Current service cost	40
Actuarial gains	(393)
Currency translation adjustments	220
Closing balance of defined benefit obligation	**6,002**

29. EMPLOYEE BENEFITS (Continued)

The plan assets offset against the defined benefit obligation are measured at fair value. The change in plan assets were as follows:

	31 December 2015 £000
Balance of plan assets on acquisition of subsidiary	2,341
Net interest income	20
Actuarial gains	15
Contributions	20
Payments	(1)
Currency translation adjustments	85
Closing balance of plan assets	**2,480**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by the Group. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €91k.

Movements in the period on provision for pensions were as follows:

	1 June - 31 December 2015 £000
Balance on acquisition of subsidiary	3,764
Payments arising from pension obligations	(29)
Allocation to defined benefit obligation	100
Allocation to plan assets	(40)
Actuarial gains/losses	(408)
Currency translation adjustments	135
Closing balance	**3,522**

A quantitative sensitivity analysis of the key assumptions as of 31 December 2015 is as shown below:

	31 December 2015 £000
Interest rate	
Increase 0.2%	(539)
Decrease 0.2%	621
Salary trend	
Increase 0.5%	80
Decrease 0.5%	(74)
Benefits trend	
Increase 0.5%	462
Decrease 0.5%	(413)

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realised changes in key assumptions occurring at the end of the reporting period.

29. EMPLOYEE BENEFITS (Continued)

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

	31 December 2015 £000
Within the next 12 months	66
Between 2 and 5 years	720
Between 5 and 10 years	1,017
More than 10 years	10,474
Total expected payments	**12,277**

The average duration of the defined benefit obligation at the end of the reporting period is 20 years.

30. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Company is a wholly owned subsidiary undertaking of Garfunkelux Holdco 1 S.A.R.L., the registered office of which is at 488, route de Longwy, L-1940, Luxembourg.

The ultimate parent company is Garfunkelux S.A.R.L., incorporated in Luxembourg, which is itself held by funds advised by Permira, an international private equity fund.

The Company is the largest group in which results are consolidated.

Transactions with related parties

The tables below set out the related party transactions and period end balances between the Group and its related parties.

Period ended 31 December 2015

	Parent Company's immediate parent £000
Shareholder loan	
Principal and accrued interest	198,689
As at 31 December 2015	**198,689**

	31 December 2015 £000
Other period end balances with related parties	
Other related parties	**4,903**

Other related parties relate to loans made to Garfunkelux Nominee S.A.R.L. (See Note 17).

30. RELATED PARTY TRANSACTIONS (Continued)

Remuneration of key management personnel

The remuneration of key management personnel of the Group, who are not Directors of the Company, is set out below in aggregate for each of the categories specified in IAS 24 (Related Party Disclosures):

	1 June - 31 December 2015 £000
Short-term employee benefits	1,165

The above details relate to seven key management personnel who are Directors of subsidiary undertakings of the Company. They are paid Directors' emoluments by subsidiary companies (Simon Bidco Limited, Lowell Financial Limited and GFKL Financial Services GmbH) for their services to the Group. The Directors of the Company are not paid by any company that forms part of the Group, se e note 5d.

31. SUBSEQUENT EVENTS

On 29 January 2016 the Group sold Proceed Portfolio Services GmbH to a third party for €0.6m, realising a gain.

On 1 March 2016, and as decided at the Shareholders meeting dated 16th February 2016, GFKL Financial Services AG changed company form into a GmbH. GFKL Financial Services AG was subsequently renamed GFKL Financial Services GmbH.

GFKL FINANCIAL SERVICES AG

Report and Consolidated Financial Statements

Year ended 31 December 2015

Translation of the German-language auditor's report, which refers to the audit of the German-language consolidated financial statements and the German-language group management report of GFKL Financial Services AG, Essen, as of and for the year ended December 31, 2015 as a whole

Auditor's report

We have audited the consolidated financial statements prepared by GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [''Handelsgesetzbuch'': German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, March 31, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Pfeiffer	Hiller-Breh
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen
Consolidated Balance Sheet as of December 31, 2015 (in accordance with IFRSs)[1]
in €k

	Notes	Dec. 31, 2015	Dec. 31, 2014	Jan. 1, 2014
ASSETS				
Non-current assets				
Property, plant and equipment	III.1.	3,222	3,799	2,354
Intangible assets	III.2.	18,867	19,268	16,156
Goodwill	III.3.	21,585	21,585	23,523
Non-performing loans and receivables acquired for settlement	III.4.	68,827	47,943	48,517
Other financial assets	III.6.	78	8,392	78
		112,580	**100,987**	**90,629**
Current assets				
Inventories	III.8.	56	29	0
Non-performing loans and receivables acquired for settlement	III.4.	66,711	55,754	53,054
Trade and other receivables	III.9.	11,840	10,761	10,136
Income tax refund claims	III.10.	4,511	4,370	4,630
Other financial assets	III.6.	13,571	12,897	12,632
Cash and cash equivalents	III.11.	43,866	35,743	58,212
		140,554	119,554	138,663
Assets classified as held for sale		0	0	11,433
		140,554	**119,554**	**150,096**
Total assets		**253,133**	**220,541**	**240,725**
EQUITY AND LIABILITIES				
Equity				
Share capital	III.12.	25,884	25,884	25,884
Capital reserves	III.13.	51,792	51,760	51,668
Hybrid capital	III.14.	39,759	36,682	33,852
Treasury shares	III.15.	−17,890	−17,890	−17,890
Retained earnings	III.16.	64	64	97
Valuation reserves	III.17./III.22.	−2,455	−2,853	−1,291
Net retained loss		−66,565	−86,036	−98,281
Equity attributable to equity holders of the parent		30,588	7,610	−5,961
Non-controlling interests	III.18.	775	761	−100
Total equity		**31,363**	**8,371**	**−6,061**
Non-current liabilities				
Liabilities to banks	III.19.	0	71,870	100,008
Derivatives with negative fair values	III.5.	680	1,289	1,616
Other financial liabilities	III.20.	114,807	32,669	30,777
Provisions	III.21.	820	642	1,019
Provisions for pensions	III.22.	4,779	5,291	4,564
Deferred tax liabilities	III.7.	18,451	10,984	5,372
		139,536	122,745	143,356
Current liabilities				
Liabilities to banks	III.19.	33	7,541	10,042
Derivatives with negative fair values	III.5.	427	571	443
Trade payables and other liabilities	III.23.	12,517	9,545	8,509
Other financial liabilities	III.20.	35,997	42,457	41,456
Income tax provisions	III.24.	18,826	17,630	14,224
Provisions	III.21.	14,434	11,682	24,107
		82,234	89,426	98,780
Liabilities classified as held for sale		0	0	4,650
		82,234	89,426	103,430
Total liabilities		**221,770**	**212,171**	**246,786**
Total equity and liabilities		**253,133**	**220,541**	**240,725**

[1] Prior-year figures were adjusted.

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen
Consolidated Income Statement for the Period from January 1 to December 31, 2015 (in accordance with IFRSs)[1]
in €k

	Notes	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Revenue	IV.1.	271,850	243,905
Other operating income	IV.2.	6,076	16,055
Cost of purchased goods and services	IV.3.	1,125	763
Personnel expenses	IV.4.	48,927	45,191
Depreciation, amortization and impairment expense	IV.5.	4,080	6,277
Other operating expenses	IV.6.	180,858	163,842
Interest and similar income	IV.7.	972	545
Interest and similar expenses	IV.8.	10,307	16,049
Earnings/loss before tax		**33,601**	**28,384**
Income taxes	IV.9.	11,070	11,028
Profit/loss from continuing operations		**22,531**	**17,356**
Profit/loss from discontinued operations		0	−2,260
Consolidated profit/loss for the period		**22,531**	**15,096**
Profit attributable to non-controlling interests		0	21
Loss attributable to non-controlling interests		17	0
Profit/loss attributable to equity holders of the parent		**22,548**	**15,075**

[1] Prior-year figures were adjusted.

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen
Consolidated Statement of Comprehensive Income
for the Period from January 1 to December 31, 2015 (in accordance with IFRSs)[1]
in €k

	Notes	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Consolidated profit/loss for the period		**22,531**	**15,096**
Result from the valuation reserve for financial instruments	III.17.	0	0
Result from deferred taxes for financial instruments	III.7.	0	0
Items that may be reclassified to profit or loss in the future		**0**	**0**
Actuarial gains and losses on pension plans	III.17., III.22.	553	−2,273
Deferred taxes on actuarial gains and losses from pension plans	III.17., III.22.	−154	711
Items that will not be reclassified to profit or loss in the future		**399**	**−1,563**
Other comprehensive income		**399**	**−1,563**
Total comprehensive income		**22,930**	**13,534**
Thereof attributable to:			
Equity holders of the parent		22,946	13,513
Non-controlling interests		−17	21

[1] Prior-year figures were adjusted.

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Ser
Consolidated Statement of Changes in Equity for the Period from January 1 to December 31, 20
in €k

Notes	Share capital III.12.	Capital reserves III.13.	Hybrid capital III.14.	Treasury shares III.15.	Retained earnings III.16.	Valuation reserve for actuarial gains and losses III.17., III.22.	Net
As of January 1, 2014	**25,884**	**51,668**	**33,852**	**−17,890**	**97**	**−1,291**	**−**
Retrospective restatement	0	0	0	0	0	0	
As of January 1, 2014 (restated)	**25,884**	**51,668**	**33,852**	**−17,890**	**97**	**−1,291**	**−**
Other comprehensive income	0	0	0	0	0	−1,563	
Consolidated profit/loss for the period	0	0	2,831	0	0	0	
Total comprehensive income	**0**	**0**	**2,831**	**0**	**0**	**−1,563**	
Sale of the Multigestión Group	0	91	0	0	−33	0	
Sale of non-controlling interests	0	0	0	0	0	0	
Acquisition of non-controlling interests	0	0	0	0	0	0	
As of December 31, 2014	**25,884**	**51,760**	**36,682**	**−17,890**	**64**	**−2,853**	**−**
As of January 1, 2015	**25,884**	**51,760**	**36,682**	**−17,890**	**64**	**−2,853**	**−**
Retrospective restatement	0	0	0	0	0	0	
As of January 1, 2015 (restated)	**25,884**	**51,760**	**36,682**	**−17,890**	**64**	**−2,853**	**−**
Other comprehensive income	0	0	0	0	0	399	
Consolidated profit/loss for the period	0	0	3,077	0	0	0	
Total comprehensive income	**0**	**0**	**3,077**	**0**	**0**	**399**	
Transfer to reserves	0	32	0	0	0	0	
As of December 31, 2015	**25,884**	**51,792**	**39,759**	**−17,890**	**64**	**−2,455**	**−**

[1] Prior-year figures were adjusted.

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen
Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2015 (in accordance with IFRSs)[1]
in T€

		Anhang	01.01. - 31.12.2015	01.01. - 31.12.2014
1.	***Operating activities***			
	Profit/loss from continuing operations		22,531	17,356
	Profit/loss from discontinued operations		0	−2,260
	Consolidated profit/loss for the period		**22,531**	**15,096**
	Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities			
+	Depreciation, amortization and impairment expense		4,080	6,277
+	Accounting losses from the disposal of property, plant and equipment/intangible assets		6	118
−	Gain from the disposal of property, plant and equipment/intangible assets		0	−6
+/−	Change in provisions		4,026	−9,088
+/−	Change in deferred taxes		7,313	5,555
−/+	Repayments and changes in value of NPL portfolios		23,731	23,923
	Changes in assets and liabilities in the period			
−/+	Inventories		−27	−13
−/+	Trade and other receivables		−1,079	−314
+/−	Trade payables and other liabilities		2,973	−857
−/+	Changes in other net assets		3,236	−3,746
=	**Cash flow from operating activities**	**VI.2, VI.3**	**66,790**	**36,945**
2.	***Investing activities***			
+	Cash received from the disposal of property, plant and equipment/intangible assets		0	10
−	Acquisition of property plant and equipment/intangible assets		−3,108	−4,952
−	Investment in NPL portfolios		−62,339	−27,774
+	Divestment of NPL portfolios		6,767	1,725
−	Acquisition of companies and shares less net cash acquired		0	−1,630
+/−	Sale of companies and shares less net cash sold		0	2,953
=	**Cash flow from investing activities**	**VI.4**	**−58,681**	**−29,667**
3.	***Financing activities***			
+/−	Other changes in the capital reserves		63	0
−	Repurchase of shares from former ABIT shareholders		−26	−21
+	Cash received from bank loans		11,000	87,000
−	Repayment of bank loans		−92,750	−116,099
+	Cash received from financing for NPL portfolios		0	16,647
−	Repayment of financing for NPL portfolios		−11,176	−19,134
+	Cash received from loans (shareholder)		92,903	0
=	**Cash flow from financing activities**	**VI.5**	**13**	**−31,608**
4.	***Development of cash and cash equivalents***			
	Cash and cash equivalents at the beginning of the period		35,743	60,072
+	Change in cash and cash equivalents		8,122	−24,329
=	**Cash and cash equivalents at the end of the period**	**VI.1**	**43,866**	**35,743**
5.	**Composition of cash and cash equivalents**			
	Cash		**43,866**	**35,743**
	thereof restricted cash		20,380	24,359

(1) Prior-year figures were adjusted.

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen
Notes to the consolidated financial statements as of December 31, 2015 (in accordance with IFRSs)

**GFKL Financial Services Aktiengesellschaft (since March 1, 2016:
GFKL Financial Services GmbH), Essen
Notes to the consolidated financial statements as of December 31, 2015
(in accordance with IFRSs)**

I. General comments

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen (GFKL), is the parent of the GFKL Group. The company's registered offices are at Am EUROPA-CENTER 1b, Essen, Germany. It is entered in the commercial register of the Local Court of Essen under HRB No. 13522. Effective as of June 30, 2015, the shares in the parent company Carl Holding GmbH, Frankfurt am Main, which had previously been held indirectly by Advent International Corporation, Boston, USA, were sold to Permira Holding Limited, Guernsey. The latter now indirectly holds 96.45% of the shares in the company. GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) is a financial services provider in receivables management segment. Please refer to the management report for further information on operating activities.

As of March 1, 2016, GFKL Financial Services Aktiengesellschaft was converted into a limited liability company (GmbH). Kamyar Niroumand, who served as Chairman of the Executive Board of GFKL Financial Services Aktiengesellschaft until February 29, 2016, assumed the position of Chairman of Management of GFKL Financial Services GmbH as of March 1, 2016. See section VIII.2. (Management and Supervisory Board disclosures) for detailed information.

The consolidated financial statements for fiscal year 2015 were authorized for issue by management on March 31, 2016.

GFKL PayProtect GmbH (formerly Domnowski Inkasso GmbH), Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, ZYKLOP INKASSO DEUTSCHLAND GMBH, GFKL Collections GmbH, GFKL Service Center GmbH and Deutsche Multiauskunftei GmbH have been included in full in the consolidated financial statements of GFKL. Indirect or direct control and profit and loss transfer agreements have been concluded with all of the aforementioned companies, which all make use of the exemption option specified in Sec. 264 (3) HGB [''Handelsgesetzbuch'': German Commercial Code]. debifact Factoring GmbH & Co. KG and INKASSO BECKER WUPPERTAL GmbH & Co. KG have also been included in full in the consolidated financial statements of GFKL. They make use of the exemption option specified in Sec. 264b HGB.

II. Basis of presentation and accounting policies

1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with Sec. 315a HGB [''Handelsgesetzbuch'' German Commercial Code]. The GFKL Financial Services Aktiengesellschaft Group (since March 1, 2016: GFKL Financial Services GmbH) consists of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) as the holding company and 13 fully consolidated first and second-tier subsidiaries. An overview of all indirect and direct shareholdings is attached to these notes as an exhibit. GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) exercises full control over the 13 fully consolidated first and second-tier subsidiaries in accordance with IFRS 10.6, since it is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. The power to control the investees is derived directly and solely from the voting rights (IFRS 10.11).

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

Unless stated otherwise, all figures are shown in thousands of euros (€k). All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated. These consolidated financial statements include comparative information for the prior reporting period.

2. Changes in accounting policies and disclosure

Effective as of June 30, 2015, the shares in the parent company Carl Holding GmbH, which had previously been held indirectly by Advent International Corporation, Boston, USA, were sold to Permira Holding Limited, Guernsey. The new shareholder of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) prepares its consolidated financial statements in accordance with the provisions of the International Accounting Standards Board. These provisions comprise the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as well as the interpretations issued by the Standing Interpretations Committee (SIC) and International Financial Reporting Standards Interpretations Committee (IFRS IC), as adopted by the European Union (EU). In preparing the consolidated financial statements, the ''Non-performing loans and receivables acquired for settlement'' were accounted for at amortized cost using the effective interest method. Until October 31, 2015, GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) measured ''Non-performing loans and receivables acquired for settlement'' at fair value and recognized these financial instruments at fair value through profit or loss. As part of the integration into an international group and for ease of comparison with international competitors, GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) has recognized ''Non-performing loans and receivables acquired for settlement'' at amortized cost using the effective interest method since November 1, 2015. The change was made with retrospective effect to January 1, 2014. GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) adjusted the prior-year figures to account for the effects from the change in measurement. The tables below provide an overview of the adjustments made in the consolidated balance sheet and the consolidated income statement for fiscal years 2015 and 2014:

	Jan. 1, 2014		
in €k	**Before adjustment**	**Adjustment**	**After adjustment**
Non-performing loans and receivables acquired for settlement (non-current)	59,681	−11,164	48,517
Non-performing loans and receivables acquired for settlement (current)	41,011	12,043	53,054
Net retained loss	−98,881	600	−98,281
Equity attributable to the equity holders of the parent	−6,561	600	−5,961
Total equity	−6,661	600	−6,061
Deferred tax liabilities	5,093	279	5,372

	Dec. 31, 2014		
in €k	**Before adjustment**	**Adjustment**	**After adjustment**
Non-performing loans and receivables acquired for settlement (non-current)	59,458	−11,515	47,943
Non-performing loans and receivables acquired for settlement (current)	43,356	12,398	55,754
Net retained loss	−86,639	602	−86,036
Equity attributable to the equity holders of the parent	7,008	602	7,610
Total equity	7,768	602	8,371
Deferred tax liabilities	10,704	280	10,984

	2015		
in €k	**Before adjustment**	**Adjustment**	**After adjustment**
Revenue	267,814	4,036	271,850
Other operating expenses	175,677	5,181	180,858
Earnings/loss before tax	34,746	−1,145	33,601
Income taxes	11,440	−370	11,070
Profit/loss from continuing operations	23,306	−775	22,531
Consolidated profit/loss for the period	23,306	−775	22,531
Profit/loss attributable to equity holders of the parent	23,323	−775	22,548

in €k	2014 Before adjustment	Adjustment	After adjustment
Revenue	243,839	66	243,905
Other operating expenses	163,779	63	163,842
Earnings/loss before tax	28,380	3	28,384
Income taxes	11,027	1	11,028
Profit/loss from continuing operations	17,354	2	17,356
Consolidated profit/loss for the period	15,094	2	15,096
Profit/loss attributable to equity holders of the parent	15,073	2	15,075

Save for the abovementioned changes, there were no changes in accounting policies and disclosure in the reporting period.

3. Effects of new and amended IFRSs

a) Accounting standards implemented in the fiscal year

The International Accounting Standards Board (IASB) published various amendments to existing IFRSs and new standards and interpretations.

The following new standards and amendments and changes in standards and amendments were mandatory in fiscal year 2015 for the first time:

- IAS 19—Employee Benefits: Defined Benefit Plans: Employee Contributions (exemption): The exemption relates to the employee contributions which employees are under an obligation to make under the formal terms of a plan and are linked to the employees' period of service, without being dependent on the length of that period. Instead, factors determining the amount of the contribution include age. To this end, the IASB has provided an exemption in the form of an option under an amendment adopted in 2013. One option is to reduce the service cost using a plan formula or linear method. The other is to account for these employee contributions as reductions of the service cost directly in the period in which they are earned, i.e., in the period in which the service in question is rendered.
- IFRSs 2010 to 2012—Changes and clarifications of various IASs/IFRSs: Clarification of the treatment of accumulated depreciation under the revaluation method (IAS 16), clarification regarding the definition of the term ''key management personnel'' (IAS 24), clarification of the treatment of accumulated amortization under the revaluation method (IAS 38), changes to various definitions (IFRS 2), clarification regarding the recognition of contingent consideration in connection with a business combination (IFRS 3), new disclosure requirements for the grouping of operating segments and clarification of the reconciliation of total operating segment assets to be reported to the assets of the entity (IFRS 8), clarification regarding the measurement of current receivables and liabilities at fair value (IFRS 13).
- IFRSs 2011 to 2013—Changes and clarifications of various IASs/IFRSs: Clarification regarding the relationship between IFRS 3 and IAS 40 in the classification as ''investment property'' or as ''owner-occupied property'' (IAS 40), meaning of the term ''effective date'' (IFRS 1), clarification of the scope of IFRS 3 relating to joint arrangements (IFRS 3), clarification regarding the scope of the portfolio exception (IFRS 13).
- IFRIC 21—Levies: Interpretation with guidance on the date of recognition and amount of levies.

These did not have any significant effect on the consolidated financial statements of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH).

b) Accounting standards that have been issued but are not yet to be implemented

In addition to the above applicable IFRSs, other standards and interpretations were published, some of which have been endorsed by the EU, but will not become mandatory until a later date.

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Anticipated effects on the consolidated financial statements
IFRS 9	Financial Instruments	Jul. 24, 2014	Jan. 1, 2018	No	Change in the classification of financial assets; calculation of loss allowances based on expected credit losses; greater alignment of hedge accounting with operational risk management
IFRS 10/IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Sep. 11, 2014 (amendment: Dec. 17, 2015)	Outstanding	No	None
IFRS 10/IFRS 12/IAS 28	Investment Entities: Applying the Consolidation Exception	Dec. 18, 2014	Jan. 1, 2016	No	None
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	Jan. 1, 2016	Yes	None
IFRS 14	Regulatory Deferral Accounts	Jan. 30, 2014	Jan. 1, 2016	No	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014 (amendment: Sep. 11, 2015)	Jan. 1, 2018	No	Provision, to a greater extent than previously, of useful information on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers; to this end, IFRS 15 provides a 5-step principles-based model
IFRS 16	Leases	Jan. 13, 2015	Jan. 1, 2019	No	Especially the elimination of the distinction between operating and finance leases at the lessee => all leases are classified as finance leases and recognized in the lessee's balance sheet (exception: current leases and lease agreements on low-value items)
IAS 1	Disclosure Initiative	Dec. 18, 2014	Jan. 1, 2016	Yes	No significant changes
IAS 7	Disclosure Initiative (amendments to IAS 7)	Jan. 29, 2016	Jan. 1, 2017	No	Provision of information allowing users of financial statements to evaluate changes in liabilities from financing activities
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	Jan. 19, 2016	Jan. 1, 2017	No	No significant changes
IAS 16/IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	May 12, 2014	Jan. 1, 2016	Yes	No significant changes
IAS 16/IAS 41	Agriculture: Bearer Plants	Jun. 30, 2014	Jan. 1, 2016	Yes	None
IFRS (2012 to 2014) . .	Changes and clarifications to various IFRSs	Sep. 25, 2014	Jan. 1, 2016	Yes	No significant changes

Voluntary early adoption of the standards is not planned.

4. Changes in accounting estimates

Changes relate to the determination of expected cash flows, which were adjusted using the same estimation techniques. For more information, please refer to section II.5. (Significant accounting estimates and assumptions) below and section III.4. (Non-performing loans and receivables acquired for settlement). In the reporting year, changes were made to estimation techniques resulting from the remeasurement of ''Non-performing loans and receivables acquired for settlement.'' For more information, please refer to section II.5. (Significant accounting estimates and assumptions) below and section III.4. (Non-performing loans and receivables acquired for settlement).

5. Significant accounting estimates and assumptions

The primary assumptions concerning future events and other key sources of estimation uncertainty as of the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

Non-performing loans and receivables acquired for settlement

The current and non-current non-performing portfolios acquired for settlement contained loans and receivables valued at € 135.5 million as of the balance sheet date (prior year: € 103.7 million). The portfolios include distressed loan receivables and other distressed receivables that the Group acquires for settlement at a significant discount from the nominal amounts. The amortized cost of the assets is calculated using an investment model, which was also used to set the purchase price, i.e., the cost at which the assets are initially recognized. The valuation model involves calculating expected proceeds and determining expected costs. Various valuation techniques may be applied to estimate recoverable payments on unsecured receivables. The valuation technique selected depends on the scope and quality of the data supplied by the seller and the type of receivable. In some cases, the results of different valuation techniques are compared and deviations in the results are analyzed. In doing so, the future estimated cash flows including service costs, refinancing costs and the calculated margin are discounted to obtain the price on the date of purchase.

To determine estimated cash flows from unsecured receivables, payment histories of similar portfolios are generally used during the measurement process.

In the case of secured receivables, emphasis is placed on measuring the value of the collateral, which primarily consists of mortgage liens on real property.

For both unsecured and secured receivables, the expected costs are calculated on the basis of the historical costs of the respective service company and estimated for the future. The relevant factors are the origin of the receivable, the number of individual receivables, their average volume, and the attainable level of servicing automation.

Determining the recoverability of guarantee claims

Guarantee claims involve advance payments by the GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) Group that are settled in the process of servicing the receivables. Estimates are used to determine the recoverability of the guarantee claims by forecasting expected future cash flows on the basis of past experience and discounting the amounts using a weighted refinancing interest rate.

Goodwill impairment test

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) tests goodwill (€ 21.6 million; prior year: € 21.6 million) for impairment at least once a year. This requires estimating the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate value in use, the Group must estimate the expected future cash flows from that cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Please also refer to the disclosures under section III.3. (Goodwill).

Pension obligations

When measuring provisions for pensions (€ 4.8 million; prior year: € 5.3 million), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. Please also refer to the disclosures under section III.22. (Provisions for pensions).

6. Significant accounting judgments

Treatment of VAT backpayments

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing receivables does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG [''Umsatzsteuergesetz'': German VAT Act] for the input transactions related to the acquisition and collection of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, an interpretative letter from the Federal Ministry of Finance (BMF) dated December 2, 2015 contains, as expected, a transitional arrangement for the application of the previous provisions of the UStAE [''Umsatzsteueranwen-dungserlass'': Decree on the Application of the German VAT Act] (Part 2.4 UStAE). The company has recognized a provision for VAT not paid in connection with purchases of exposures in the past.

The VAT provision increased from € 3.8 million to € 5.4 million due to the tax backpayment for the 2006 assessment year of Proceed Collection Services GmbH, Essen, (€ 1.8 million) and the refund for the flat rate input tax reduction as part of the 2012 VAT assessment (€ 3.4 million). The corresponding interest provision decreased from € 2.7 million to € 2.4 million for the aforementioned reasons.

Tax audits for the years 2007 to 2014 have not yet been fully completed. This could give rise to changes to the benefit or detriment of the Company.

Action against the European Commission

The European Commission characterized the restructuring clause of Sec. 8c KStG [''Körperschaftsteuergesetz'': German Corporate Income Tax Act] as incompatible aid. The German tax authorities therefore retracted the binding ruling regarding the application of the restructuring clause that was issued when the investor Advent acquired its investment in 2009. As a result, the accumulated tax losses could not be used.

The company filed an action against this decision before the European Court of Justice, which ruled in its judgment of February 4, 2016 that the action was admissible but unfounded.

The company is currently consulting with its legal advisors whether to file an appeal with the European Court of Justice. If it does not do so, the suspended income taxes of € 11.4 million plus suspended interest of € 2.9 million will be due at short notice. Provisions have already been recognized. Deferred taxes are not affected.

7. Significant accounting policies

a) Accounting treatment of acquired portfolios

From fiscal year 2015, the acquired portfolios are reported at amortized cost under ''Non-performing loans and receivables acquired for settlement.'' In line with their accounting treatment, the portfolios are reported at cost or amortized cost to the competent decision-makers, who manage the assets on this basis. The portfolios are initially recognized at cost.

They are then subsequently measured using a market value-based investment model that also formed the basis for determining the purchase price. The model is based on anticipated payment receipts to which a discount factor is applied. The effective interest rate established at the acquisition date is used for discounting.

The actual payments collected in respect of a receivable are broken down into income and capital components under the investment model taking discounting into account. The income components are reported under revenue, whereas the capital component is reported as a payment of the principal.

b) Recognition and measurement of financial instruments

The application of IAS 39 means that, on initial recognition, all financial assets and financial liabilities must be allocated to one of the six categories explained below. In the case of financial instruments not measured at fair value through profit or loss, the measurement includes transaction costs directly attributable to the acquisition of the financial asset concerned. Subsequent measurement of financial assets and financial liabilities depends on their classification. Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

i) Financial assets at fair value through profit or loss

This category relates to financial assets that must be recognized at fair value through profit or loss. Such assets are initially recognized at cost, which at this point equates to fair value. The assets must also be measured subsequently at fair value. Any gains or losses arising from subsequent measurement are recognized in profit or loss. Derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39 are also measured at fair value through profit or loss at GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH). Until the measurement method was changed as of November 1, 2015, they were used to hedge interest-rate related changes in the market values of NPL portfolios.

ii) Held-to-maturity financial assets

Financial assets must have a fixed maturity and a fixed schedule of payments if they are to be classified under this category. At every balance sheet date, it must be demonstrable that the company has the positive intention of continuing to hold these assets to maturity. Such assets are measured at cost or amortized cost. GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) does not hold any assets in this category.

iii) Loans and receivables

This category covers loans and receivables recognized as a result of the provision of monies or services, or loans and receivables that the company has acquired. Such assets are initially recognized at cost and subsequently measured at amortized cost. The main assets in the Group falling into this category are ''Non-performing loans and receivables acquired for settlement'' because, since November 1, 2015, the Group has managed these assets and measured their performance on the basis of cost or amortized cost. For further information, please refer to ''Accounting treatment of acquired portfolios'' (section II.7.a). The following balance sheet items fall into the loans and receivables category: ''Other financial assets,'' ''Trade and other receivables'' and ''Cash and cash equivalents.''

iv) Available-for-sale financial assets

This category covers all remaining non-derivative financial assets not classified under one of the aforementioned categories. The financial assets recognized in this category are measured at fair value, both on initial recognition and subsequent measurement. Changes in the fair value of the assets are recognized directly in other comprehensive income in a revaluation reserve. When an asset is derecognized, this revaluation reserve must be reversed to the income statement. GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) does not hold any assets in this category as of the balance sheet date.

v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as ''at fair value through profit or loss'' on initial recognition. With the exception of financial derivatives with negative fair values that do not qualify for hedge accounting, GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) did not hold any financial liabilities in this category as of the balance sheet dates.

vi) Financial liabilities at amortized cost

Following initial recognition, interest-bearing liabilities are measured at amortized cost. The balance sheet items falling into this category are as follows: ''Liabilities to banks,'' ''Other financial liabilities,'' and ''Trade payables and other liabilities.''

c) Other significant accounting policies

Assets classified as held for sale and liabilities classified as held for sale

Non-current assets/liabilities classified as held for sale, together with assets/liabilities in a disposal group classified as held for sale, must be presented on the face of the balance sheet separately from other assets.

Trade and other receivables

Receivables are carried at the settlement amount and are due for payment within one year. Specific valuation allowances were recognized for receivables subject to a default risk.

Goodwill and impairment testing

Goodwill arising from a business combination is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year and whenever new factors or changes in circumstances indicate that the carrying amount could be impaired.

Impairment tests require that the goodwill be allocated to one of the cash- generating units from the date the entity concerned is acquired. This applies regardless of whether other assets and liabilities of the acquired entity have already been allocated to these units. Any unit to which goodwill has been allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Impairment is identified by determining the recoverable amount for the cash- generating unit. If the recoverable amount for the cash-generating unit is below its carrying amount, an impairment loss is recognized.

An impairment test was also carried out on the balance sheet date on all other assets where the factors specified by IAS 36.12 indicated that the asset could be impaired. At every balance sheet date, a test is carried out to establish whether there are indications that the reasons for an impairment loss recognized in prior periods no longer exists or could have diminished. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. Any previously recognized impairment loss must then be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to the recoverable amount. The increased carrying amount of this asset must not exceed the carrying amount that would have been determined (net of amortization/depreciation) had no impairment loss been recognized for the asset in prior years.

Other assets

Other assets and other rights are reported at amortized cost. Intangible assets and property, plant and equipment are carried at cost less amortization/depreciation. Borrowing costs are added to the cost of an asset, provided it is a qualifying asset pursuant to IAS 23. Amortization/depreciation is recognized on a straight-line basis over a period that reflects the standard useful life of these assets in the industry. These amortization/depreciation periods are as follows: internally developed software, 4 to 6 years; other intangible assets, 3 to 10 years; vehicles, 5 years; and other office furniture and equipment, 2 to 15 years. Residual values of assets, useful lives and amortization/depreciation methods are reviewed at the end of each fiscal year and adjusted where required.

Taxes

Consolidated tax group

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) forms a consolidated tax group for trade tax and corporate income tax purposes through control and profit and loss transfer agreements with the following companies: GFKL PayProtect GmbH (formerly Domnowski Inkasso GmbH), Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, ZYKLOP INKASSO DEUTSCHLAND GMBH, GFKL Collections GmbH, GFKL Service Center GmbH (since January 1, 2015) and Deutsche Multiauskunftei GmbH (since January 1, 2015).

As of December 31, 2015, the following companies formed a consolidated tax group for value-added tax (VAT) purposes with the parent: GFKL PayProtect GmbH (formerly Domnowski Inkasso GmbH), Proceed Portfolio Services GmbH, Proceed Collection Services GmbH, Sirius Inkasso GmbH, ZYKLOP INKASSO DEUTSCHLAND GMBH, GFKL Collections GmbH, GFKL Service Center (since December 1, 2015) and Deutsche Multiauskunftei GmbH (since October 1, 2015).

Current taxes

Current income tax refund claims and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

Deferred taxes

Deferred taxes are recognized using the balance sheet liability method for all temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset will be realized or the liability settled. These rates are based on tax rates and tax regulations enacted or announced as of the balance sheet date.

Income taxes that relate to items recognized directly in equity or in other comprehensive income are themselves recognized directly in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are netted if the Group has an enforceable right to offset current tax assets against current tax liabilities and these deferred tax assets and liabilities relate to income tax in the same taxable entity levied by the same tax authority. Current and non-current deferred tax assets and liabilities are recognized as a net item under non-current liabilities.

VAT

Income, expenses and assets are recognized net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognized as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

Provisions

As specified by IAS 37, a provision is recognized if there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense in connection with the recognition of a provision is recognized in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

Provisions for pensions

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) provides defined benefit pension plans. Provisions for pensions are calculated pursuant to IAS 19. Actuarial models are used to calculate the provisions for pensions and the related pension expenses. These calculations use various assumptions such as current actuarial probabilities (discount factors, increase in cost of living, etc.), assumptions regarding turnover based on age and years of service as well as experience-based assumptions concerning the probability of occurrence of pension payments, annuity payments or endowment payments. The probabilities used in the inputs may deviate from actual developments due to changes in market and economic conditions. Sensitivity analyses are used to determine the financial effects of the deviations in the significant inputs.

Liabilities

Loans are initially recognized at the fair value of the consideration received after deducting any transaction costs incurred in taking out the loan. Interest-bearing liabilities are carried at the expected settlement amount including the accrued interest. Non-interest bearing liabilities arise in the form of trade payables and other liabilities.

Treasury shares

Treasury shares include all shares for which GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) issued a cash settlement offer as part of the merger with ABIT AG in 2006 and shareholders of the former ABIT AG accepted this offer. For the presentation of this item in the prior year, it was not relevant whether or not the shares had already been tendered to GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH). Due to the squeeze-out of the minority shareholders in December 2015, only the actually tendered shares are now presented. Proceedings are pending with regard to the settlement amount.

Cash flow and fair value hedges

Derivative financial instruments are used for hedging. As of the balance sheet date, they relate both to hedging the risk of a change in the fair value of a recognized asset or a recognized liability and to hedging the risk of variability in cash flows.

Such derivative financial instruments are initially recognized at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of a derivative are recognized immediately in profit or loss.

Foreign currencies

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions denominated in foreign currency are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Exchange differences are recognized in profit or loss.

d) Income statement

The income statement is prepared using the nature of expense method.

Revenue

Revenue is recognized as soon as it is probable that the economic benefit will flow to GFKL and the amount of the revenue can be reliably determined.

Income from the non-performing loans and receivables acquired for settlement comprises the interest income for the period calculated using the effective interest rate as well as income and expenses from changes in the carrying amount of the portfolios. If the net balance of income and expenses recognized for each portfolio yields an expense, it is reclassified to other operating expenses.

8. Consolidation disclosures

a) Basis of consolidation

The basis of consolidation has not changed compared to December 31, 2014.

b) Principles of consolidation

The separate financial statements for all the companies included in the consolidated financial statements are prepared to the balance sheet date of the consolidated financial statements. Uniform accounting policies are applied to all these financial statements.

The acquisition of subsidiaries consolidated up to 2003 was accounted for in accordance with IAS 22. Subsidiaries acquired after March 31, 2004 were accounted for in accordance with IFRS 3 and IFRS 3 (2008) on the basis of the fair value of the acquired identifiable assets and liabilities. On first-time consolidation in each case, the carrying amount of GFKL Financial Services Aktiengesellschaft's (since March 1, 2016: GFKL Financial Services GmbH) investment was offset against its share of equity in the subsidiary concerned. Intragroup receivables and liabilities between fully consolidated companies are netted, any residual differences being consolidated to the extent required. In the consolidation of income and expense, internal revenue and intragroup income and expense is eliminated, as is any intragroup profit or loss arising from transactions between consolidated companies. Deferred taxes had to be recognized as a result of the use of uniform group accounting policies, the consolidation of intercompany balances and the elimination of intercompany profits and losses; these items were grouped together with the deferred taxes from the separate financial statements.

9. Business risks and capital management

a) Business risks

The business risks in the GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) Group are described in the risk report. For further information, please refer to the details in the management report, which includes disclosures in accordance with IFRS 7.31-42 and further disclosures as part of the description of the risk management system.

b) Capital management

The objective of capital management is to ensure that the GFKL Group has an equity capital base appropriate to the risk structure of the business. This is a precondition that must be satisfied if GFKL is to have sufficient access to funds on money and capital markets at all times. The GFKL Group is not subject to regulatory capital requirements. However, the Risk Control department reviews economic capital adequacy internally on a continuous basis. For the purposes of capital management, the loans from Garfunkel Holding GmbH (formerly Carl Holding GmbH), Frankfurt am Main, are managed in the same way as equity. The loans amounted to € 61.1 million as of December 31, 2015.

Any emerging capital requirement is identified at an early stage; appropriate corporate action is then decided and implemented.

III. Balance sheet disclosures

1. Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2015	8,933	0
Additions	272	6
Reclassifications	6	−6
Disposals	109	0
Balance as of December 31, 2015	**9,102**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2015	5,133	0
Additions	809	0
Write-down due to impairment test	41	0
Disposals	103	
Balance as of December 31, 2015	**5,879**	**0**
Residual carrying amounts as of December 31, 2015	**3,222**	**0**

In the prior year, changes were as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2014	9,263	0
Additions from business combinations	25	0
Additions	2,329	44
Reclassifications	44	−44
Disposals	2,729	0
Balance as of December 31, 2014	**8,933**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2014	6,909	0
Additions	831	0
Disposals	2,607	0
Balance as of December 31, 2014	**5,133**	**0**
Residual carrying amounts as of December 31, 2014	**3,799**	**0**

The upcoming relocation of INKASSO BECKER WUPPERTAL GmbH & Co. KG gave rise to a € 41k impairment loss on other office furniture and equipment.

Depreciation is recognized on a straight-line basis over the useful lives of the assets, which is 3 to 15 years for other office furniture and equipment.

2. Intangible assets

Intangible assets developed as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2015	21,685	4,419	12,497	1,504
Additions	560	186	0	2,131
Reclassifications	4	−4	0	0
Disposals	48	41	0	0
Balance as of December 31, 2015	**22,201**	**4,560**	**12,497**	**3,635**
Accumulated amortization and impairment losses				
Balance as of January 1, 2015	13,085	4,041	3,712	0
Additions	1,668	70	1,479	2
Reclassification	8	−8	0	0
Write-down due to impairment test	13	0	0	0
Disposals	2	41	0	0
Balance as of December 31, 2015	**14,773**	**4,061**	**5,190**	**2**
Residual carrying amounts as of December 31, 2015	**7,429**	**499**	**7,307**	**3,632**

In the prior year, changes were as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2014	18,910	3,984	11,319	153
Additions from business combinations	2,393	0	1,178	0
Additions	699	395	0	1,457
Reclassifications	66	40	0	−107
Disposals	383	0	0	0
Balance as of December 31, 2014	**21,685**	**4,419**	**12,497**	**1,504**
Accumulated amortization and impairment losses				
Balance as of January 1, 2014	12,035	3,984	2,192	0
Additions	1,429	57	1,520	0
Disposals	379	0	0	0
Balance as of December 31, 2014	**13,085**	**4,041**	**3,712**	**0**
Residual carrying amounts as of December 31, 2014	**8,600**	**378**	**8,785**	**1,504**

Software is amortized on a straight-line basis over its estimated useful life or remaining useful life, which may be a period of between 3 and 10 years.

A € 13k impairment loss on purchased software was recognized for INKASSO BECKER WUPPERTAL GmbH & Co. KG.

The customer relationships allocated to GFKL Collections GmbH upon its acquisition in 2012 are being amortized over a useful life of 8.5 years. The contractual and non-contractual customer relationships acquired upon purchase of intratech GmbH are being amortized over a useful life of 10 years. Other than goodwill, there were no intangible assets with indefinite useful lives.

3. Goodwill

This balance sheet item comprises goodwill in the cash-generating units. The reconciliation of the carrying amounts of goodwill at the beginning and end of the reporting period as well as the distribution over the cash-generating units is presented below.

in €k	Goodwill
Cost	
Balance as of January 1, 2014	24,252
Acquisition of subsidiaries	502
Balance as of December 31, 2014	**24,754**
Balance as of December 31, 2015	**24,754**
Write-downs and impairment losses	
Balance as of January 1, 2014	729
Impairment losses	2,440
Balance as of December 31, 2014	**3,169**
Balance as of December 31, 2015	**3,169**
Carrying amounts as of December 31, 2014	**21,585**
Carrying amounts as of December 31, 2015	**21,585**

in €k	Dec. 31, 2015	Dec. 31, 2014
ZYKLOP INKASSO DEUTSCHLAND GMBH	10,102	10,102
GFKL Collections GmbH	4,253	4,253
GFKL PayProtect GmbH	3,410	3,410
Proceed Collection Services GmbH	3,318	3,318
intratech GmbH	502	502
Total	**21,585**	**21,585**

There was no allocation of goodwill to groups of cash-generating units.

An impairment test must be carried out at least once a year to verify that the carrying amount of goodwill is recoverable. Impairment tests were carried out on December 31, 2015 for those cash-generating units that included goodwill and the goodwill was measured at the recoverable amount.

Since there was no active market for any of the cash-generating units, the recoverable amount was determined on the basis of value in use calculated using a discounted cash flow analysis (DCF). The cash flows used in the analysis for the calculation of the value in use were derived from a five-year financial plan for the GFKL Group based on IFRS requirements. At the receivables management companies, the planned cash flows were taken from the performance of the managed portfolios recognized in the financial statements as well as from future planned portfolios. The discount rate for the detailed planning period was determined using the weighted average cost of capital (WACC) and, before tax, amounts to some 10.4% (prior year: 11.5%) for the receivables management segment in Germany. The weighted average cost of capital is a composite rate derived from the weighted cost of equity and debt; it reflects the average cost of capital in a company taking into account the company's financing structure. A standard growth discount of 0.7% (prior year: 0.7%) on the discount rate after tax was applied in determining the discount rate for the subsequent period. The carrying amount of the cash-generating units (including goodwill) in the GFKL Group amounted to a total of € 50.2 million (prior year: € 52.6 million), whereas the corresponding recoverable amount was € 502.5 million (prior year: € 355.3 million).

Cash flow planning is primarily driven by a significant increase in revenue coupled with fixed costs growing at a lower rate or remaining constant in some areas. Management sees particular growth potential for receivables management services in the areas of energy supply, telecommunications and public sector, with the outsourcing efforts on the part of customers, due to the current cost pressure, in particular also offering growing potential. Significant growth is also expected in e-commerce in subsequent years. The reduction of relative costs is based on the continuous optimization of operational processes, improved options for analyzing debtor information as well as the synergy effects resulting from the pooling of the service functions in the company.

4. Non-performing loans and receivables acquired for settlement

The following table shows the total of current and non-current non-performing loans and receivables acquired for settlement:

in €k	Dec. 31, 2015	Dec. 31, 2014
Secured, terminated loans	287	4,274
Unsecured, terminated loans	52,718	33,691
Unsecured, overdue other receivables	82,533	65,732
Total	**135,538**	**103,696**

For 2015, non-performing loans and receivables acquired for settlement broken down by residual maturity were as follows:

	Residual maturity			
(in €m)	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	66.7	61.1	7.7	135.5

For the prior year, residual maturities were as follows:

	Residual maturity			
(in €m)	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	55.7	44.0	4.0	103.7

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	2015	2014
Opening balance	103,696	101,571
Acquisitions	62,339	27,774
Disposals	6,767	1,725
Subtotal	**159,269**	**127,619**
Payment receipts	108,627	90,010
Investment income	51,775	44,436
Repayment	**56,852**	**45,574**
Measurement adjustments	**33,121**	**21,650**
Closing balance	**135,538**	**103,696**

In the current fiscal year, GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) generated income of € 91.4 million (prior year: € 67.6 million) from the non-performing loans and receivables acquired for settlement.

The disposals are generally attributable to the return of receivables that did not meet the contractually agreed requirements or to the sale of an exposure from a secured portfolio in 2015.

The measurement adjustment is reflected by the balance of write-ups and write- downs during the year. Write-ups in 2015 came to € 49.9 million, while write- downs amounted to € 16.8 million.

Write-ups mainly relate to positive plan adjustments (€ 32.3 million) and additional amounts collected (€ 17.6 million), while write-downs mainly relate to negative plan adjustments (€ 8.0 million), shortfalls in amounts collected (€ 7.4 million) and direct write-downs (€ 1.3 million).

Plan adjustments resulted from modified expectations of future payment receipts. The items ''Additional amounts collected'' and ''Shortfall in amounts collected'' show deviations between actual payment receipts and planned payment receipts. Direct write-downs relate to immediate write-downs when receivables are purchased for which the expected payment receipts are not sufficient to cover the purchase price. This mainly relates to the PayProtect business and should be viewed in connection with the services previously rendered.

Please also see sections II.6. (Significant accounting judgments) and II.2. (Changes in accounting policies and disclosure).

Scenario calculations simulate the effects of changes in the input factors used to determine the amortized cost of the NPL portfolio investments. There are various input factors, the sensitivity of which is shown in the table below.

Input factor	Change	Simulated change in value
Effective interest rate	+/−1%	−€2.13 million/+€2.20 million
	+/−5%	−€9.96 million/+€11.81 million
	+/−10%	−€18.47 million/+€26.01 million
Cash flow	+/−10%	+€13.55 million/−€13.55 million

5. Derivatives with positive and negative fair values

As of the balance sheet date, interest rate swaps with a total negative fair value of € 1.1 million (prior year: € 1.9 million) were held. There were still no interest rate swaps with positive fair values. The purpose of the swaps was to hedge changes in the value of NPL portfolios caused by changes in interest rates and to provide refinancing. These interest rate derivatives were not designated as hedges for hedge accounting purposes because changes in the fair value of the derivatives offset changes in the fair value of the NPL portfolios caused by interest rate changes.

The residual maturity was determined on the basis of the residual maturities of the derivatives.

6. Other financial assets

Financial assets break down as follows:

in €k	Dec. 31, 2015	Dec. 31, 2014
Miscellaneous non-current financial assets	78	8,392
Total other non-current financial assets	**78**	**8,392**
Cash reserve	38	38
Miscellaneous financial assets	13,533	12,860
Total other current financial assets	**13,571**	**12,897**
Total	**13,649**	**21,290**

The decrease in non-current miscellaneous financial assets mainly relates to the lapse of recognized guarantee claims for which the GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) Group made advance payment and which are settled through the servicing of the receivables. These guarantee claims lapsed when GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) acquired the underlying portfolios. This acquisition is described in greater detail in section III.4. (Non-performing loans and receivables acquired for settlement).

7. Deferred tax assets and liabilities

The deferred tax assets in the balance sheet largely arose from the measurement of tax loss carryforwards. Deferred tax assets whose recoverability was not already guaranteed by the availability of deferred tax liabilities of the same amount were measured using a forecasting process. Overall, loss carryforwards were measured, and related deferred tax assets of € 4.6 million (prior year: € 8.0 million) were then recognized. The losses mainly relate to GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen. No losses from the period prior to the change in shareholders in December 2009 were recognized as deferred tax assets.

Deferred tax liabilities arose primarily from the measurement of NPL portfolios and the intangible assets (purchase price allocation (PPA) and internally generated intangible assets).

The following table shows the main accounting areas for which deferred taxes arise from temporary differences:

in €k	Dec. 31, 2015	Dec. 31, 2014
NPL measurement	–21,134	–17,252
Derivatives	359	590
Intangible assets	–3,836	–3,602
Provisions	2,334	1,832
Trade receivables/payables	91	513
Elimination of intercompany balances	–1,002	–1,116
Loss carryforwards	4,555	7,996
Other	182	55
Balance of deferred taxes	**–18,451**	**–10,984**

The table below shows the changes in deferred taxes:

in €k	2015	2014
Deferred tax assets	0	0
Deferred tax liabilities	–10,984	–5,093
Opening balance	**–10,984**	**–5,093**
Change in equity	–154	710
Addition from business acquisitions	0	–771
Change arising from current results	–7,313	–5,831
Change in the period	**–7,467**	**–5,892**
Deferred tax assets	0	0
Deferred tax liabilities	–18,451	–10,984
Closing balance	**–18,451**	**–10,984**

For further information, please refer to the disclosures under section IV.9. (Income taxes).

8. Inventories

Inventories mainly relate to IT hardware and access systems for customers of intratech GmbH.

9. Trade and other receivables

The item mainly relates to receivables from customers for services.

in €k	Dec. 31, 2015	Dec. 31, 2014
Expenses from the collection process	2,061	2,341
Refund claims from other taxes	0	1,528
Prepaid expenses and other items	1,306	1,338
Trade receivables	8,845	5,741
Specific valuation allowances on receivables	–373	–187
Total	**11,840**	**10,761**

Valuation allowances are recognized on a case-by-case basis on separate valuation allowance accounts. Uncollectible receivables are directly written off and thereby derecognized, taking into account valuation allowances previously recognized. The decrease in refund claims from other taxes is due to the uncollectibility of interest receivable from a prior tax audit. The rise in trade receivables is mainly due to the acquisition of portfolios by GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) described in more detail in section III.4. (Non-performing loans and receivables acquired for settlement). In addition, the current operating activities in the collection segment and the companies acquired in the prior year were expanded further. The described rise in trade receivables is also reflected by the increase in revenue from acquired portfolios, fees from the collection process, services and programming revenue as well as maintenance revenue and royalties described in detail in section IV.1. (Revenue).

10. Income tax refund claims

The income tax refund claims mainly relate to the retrospective recognition of the tax group for Proceed Portfolio Services GmbH, Essen, for the years 2004 to 2006.

11. Cash and cash equivalents

Cash and cash equivalents primarily comprise credit balances on current accounts and short-term deposits. The balance (> € 5.0 million) on the cash pool master account bears interest on the basis of EONIA. This account had a balance of € 19.5 million as of the balance sheet date. Balances on other accounts, which do not bear interest, came to € 2.6 million. Of these cash and cash equivalents, € 20.4 million (prior year: € 24.4 million) are earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts.

12. Share capital

As of the balance sheet date, share capital amounted to € 25,883,790.00. It is divided into 25,883,790 no-par value bearer shares.

13. Capital reserves

The objective of the regulations governing statutory reserves and capital reserves is to ensure that capital is preserved and thus to protect creditors by creating restricted assets above and beyond the assets required to cover share capital. These restricted assets may be used to offset losses without affecting the assets covering share capital. The assets are restricted in the sense that the relevant amounts cannot be made available for dividend distributions.

The capital reserves recognized relate to the share premium pursuant to Sec. 272 (2) No. 1 HGB.

The changes in capital reserves can be seen in the consolidated statement of changes in equity. In the current fiscal year, one shareholder of a subsidiary of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) waived the interest repayment obligation arising from a loan agreement.

14. Hybrid capital

On June 28, 2012, a second loan agreement for a loan of € 30,000,000.00 was concluded between GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen, as borrower and Garfunkel Holding GmbH (formerly Carl Holding GmbH) as lender. The loan has no fixed maturity date. However, the earliest possible date for repayment by GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) was adjusted to March 16, 2019 in connection with the new refinancing arrangement. The loan bears interest of 8% up to and including March 16, 2019 and is reported as equity due to the terms of the loan agreement.

15. Treasury shares

The shareholder meeting held on June 22, 2005 approved the merger of ABIT AG, Meerbusch, into GFKL. The merger agreement between ABIT AG and the former GFKL Financial Services Aktiengesellschaft gave the former shareholders of ABIT AG, who became shareholders of GFKL as a result of the merger with GFKL, the right to offer their newly acquired GFKL shares for sale to GFKL at a price of € 13.93 per share. The merger came into effect upon entry in the commercial register of GFKL on August 16, 2006. As of the balance sheet date, GFKL had repurchased a total of 919,343 shares, which corresponds to a share of € 919,343 (3.55%) of the share capital. As of the balance sheet date, GFKL held these shares as treasury shares. The shareholder meeting held on August 20, 2015 resolved to authorize the purchase of treasury shares pursuant to Sec. 71 (1) No. 8 AktG [''Aktiengesetz'': German Stock Corporation Act]. Shares can no longer be tendered under the cash settlement offer following the squeeze-out in December 2015. As a result, the not yet tendered shares were, contrary to the prior year, no longer recognized as treasury shares.

16. Retained earnings

Retained earnings relate to the statutory reserve of € 38k (prior year: € 38k) and profit participation capital of € 26k (prior year: € 26k).

17. Valuation reserves

In the fiscal year, this item included the valuation reserve for actuarial gains and losses. Please see section III.22. (Provisions for pensions) for further information.

18. Non-controlling interests

Non-controlling interests relate to the minority interests in intratech GmbH. The waiver of interest described in section III.13. (Capital reserves) is proportionately allocable to the minority shareholder.

19. Liabilities to banks

Upon the change in ownership, GFKL raised a loan from the company's then majority shareholder and current sole shareholder (Garfunkel Holding GmbH) in the same amount in order to repay the syndicated credit facility with Commerzbank, NIBC Deutschland, Frankfurt am Main, and ING Branch, Frankfurt am Main, acting as syndicate leader for NIBC Deutschland, Frankfurt am Main, security trustee. The loan granted by the shareholder amounted to € 93.3 million as of June 30, 2015. This loan was granted in order to repay the syndicated credit facility (€ 92.9 million) and guarantee the cash collateral granted for the issued letters of credit (€ 0.4 million). The loan has a term of seven years and is due to mature on July 8, 2022. The cash collateral granted for the reported letters of credit of € 0.4 million is part of restricted cash. As of December 31, 2015, the loan was valued at the same amount plus accrued interest of € 1.5 million.

20. Other financial liabilities

Other financial liabilities break down as follows:

in €k	Dec. 31, 2015	Dec. 31, 2014
Liabilities arising from NPL portfolios	0	2,891
Liabilities to affiliates	114,670	20,686
Pass-through obligations arising from portfolio management	0	5,121
Other	137	3,971
Total non-current	**114,807**	**32,669**
Liabilities to affiliates	1,550	0
Liabilities arising from NPL portfolios	1,844	10,128
Pass-through obligations arising from portfolio management	8,924	11,029
Employee-related liabilities	4,049	3,189
Liabilities arising from the cash settlement offer	7,491	7,307
Deferred income and other items	12,139	10,804
Total current	**35,997**	**42,457**
Total	**150,804**	**75,126**

The item ''Liabilities arising from NPL portfolios'' relates to liabilities arising from the securitization of NPL portfolios. The decline in liabilities arising from NPL portfolios is attributable to the further servicing of the securitized NPL portfolios and the resulting repayment of these liabilities.

Pass-through obligations arising from portfolio management comprise payments received from debtors to be forwarded to customers.

Effective as of June 30, 2015, the shares in the parent company Carl Holding GmbH, which had previously been held indirectly by Advent International Corporation, Boston, USA, were sold to Permira Holding Limited, Guernsey. The latter now indirectly holds 96.45% of the shares in the company. The loan granted by the shareholder amounted to € 94,096,692.28 as of December 31, 2015. This loan, granted on June 29, 2015, was used to repay the syndicated credit facility (€ 92,902,523.49) and act as cash collateral for letters of credit (€ 427,437.24). The loan has a term of seven years and is due to mature on July 8, 2022. The cash collateral granted for the reported letters of credit of € 427,437.24 is part of restricted cash. The rise in liabilities to affiliates is due to the aforementioned new financing arrangement within the GFKL Group.

The change in ownership in the second quarter of fiscal year 2015 gave rise to an obligation for GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) to pay a settlement agreed in fiscal year 2013 resulting from the termination of a business relationship with a service provider. The payment made in fiscal year 2015 is reflected in the decline in other non-current financial liabilities. As of the balance sheet date, there was a remaining amount of € 1.2 million due for payment in the third quarter of 2016.

The following table shows the principal liabilities of the Group as of December 31, 2015, by maturity:

in €k	Less than 1 year	Residual maturity 1 to 5 years	More than 5 years	Total
Liabilities to banks	33	0	0	33
Other financial liabilities	35,997	137	114,670	150,804
Trade payables and other liabilities	12,517	0	0	12,517
Total	**48,547**	**137**	**114,670**	**163,354**

21. Provisions

in €k	Other taxes	Interest (incidental tax expenses)	Warranties	Re-structuring	Archiving	Other	Total
Opening balance	4,106	5,076	623	657	368	1,493	12,323
Allocation	3,659	1,277	1	1,504	0	1,968	8,409
Utilization	2,019	867	589	184	0	247	3,906
Reversal	87	81	11	443	44	906	1,572
Closing balance	**5,659**	**5,404**	**24**	**1,534**	**324**	**2,308**	**15,253**
Current	5,659	5,404	24	1,534	142	1,671	14,434
Non-current	0	0	0	0	183	637	820
Closing balance	**5,659**	**5,404**	**24**	**1,534**	**324**	**2,308**	**15,253**

The item ''Other taxes'' mainly relates to provisions for VAT backpayments in connection with the purchase of distressed receivables and VAT backpayments due to the ongoing tax audit of € 0.3 million (prior year: € 0.3 million).

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing receivables does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG for the input transactions related to the acquisition and collection of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, an interpretative letter from the Federal Ministry of Finance (BMF) dated December 2, 2015 contains, as expected, a transitional arrangement for the application of the previous provisions of the UStAE [''Umsatzsteueranwen-dungserlass'': Decree on the Application of the German VAT Act] (Part 2.4 UStAE). The company has recognized a provision for VAT not paid in connection with purchases of exposures in the past.

The VAT provision increased from € 3.8 million to € 5.4 million due to the tax backpayment for the 2006 assessment year of Proceed Collection Services GmbH (€ 1.8 million) and the refund for the flat rate input tax reduction as part of the 2012 VAT assessment (€ 3.4 million). The corresponding interest provision decreased from € 2.7 million to € 2.4 million for the aforementioned reasons.

Tax audits for the years 2007 to 2014 have not yet been fully completed. This could give rise to changes to the benefit or detriment of the Company.

In addition to the abovementioned interest on VAT of € 2.4 million, the provisioned interest for incidental tax expenses included other additional interest expenses for tax audits and income taxes of € 0.1 million and € 2.9 million, respectively.

In addition, provisions for restructuring and provisions for archiving are recognized. The provisions are recognized in the amount of the expected obligation. They take into account all identifiable risks related to obligations of uncertain amount. Warranty provisions mainly relate to GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH). They were recognized partly for tax guarantees for sold subsidiaries. VAT, trade tax and corporate income tax receivables and interest accrued thereon arising in connection with the sale process were nearly settled in full in fiscal year 2015.

€ 0.2 million of the provision for the centralization of the companies' file archives in 2013 and for the severance of employees and Executive Board members of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), which was recognized in fiscal year 2014 by GFKL Service Center GmbH due to the transfer of the outstanding obligations to the latter, was used in the fiscal year. As the provision is no longer expected to be utilized, the remaining amount of the provision was reversed nearly in full. The reversal amount recognized in profit or loss came to € 0.4 million. The relocation of GFKL Collections GmbH from Potsdam to Düsseldorf was resolved in October 2015 and successfully carried out in December 2015. A provision of € 1.5 million was recognized for any resulting obligations for severance payments.

The provisions for archiving costs arose because of the legal obligation to archive business documents for up to 20 years. Changes in the discount rate resulted in a reversal of € 0.1 million in the reporting period.

Allocations to other provisions mainly related to an onerous contract (€ 1.3 million), obligations arising from the relocation of INKASSO BECKER WUPPERTAL GmbH & Co. KG (€ 0.1 million) and for special payments to employees (€ 0.1 million). Utilization related in particular to the settlement of special payments to employees. € 0.4 million of the provision for an onerous contract was reversed to profit or loss. € 0.1 million of the provision recognized for the acquisition of intratech GmbH by INKASSO BECKER WUPPERTAL GmbH & Co. KG as well as € 0.1 million of the provision recognized for payments possibly required under a current rental agreement were reversed to profit or loss.

22. Provisions for pensions

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) has defined benefit pension obligations. Pension obligations were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 2.31% and 2.53% (prior year: 2.03% and 2.2%), depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19.67-74. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated at 1.5% (prior year: 1.5%), salary increases in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%), and the employee turnover rate in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%). The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005 G Heubeck mortality tables.

The pension plan for one of the former members of the Executive Board of GFKL includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The provision amounted to € 2.5 million as of the balance sheet date (prior year: € 2.9 million). The pension entitlement for two former employees of GFKL PayProtect GmbH (formerly Domnowski Inkasso GmbH) comprises a retirement pension to be paid when the beneficiary reaches the age of 65. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognized provisions for pensions for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

The net liability is calculated as follows:

in €k	2015	2014	2013
Present value of unfunded defined benefit obligation	8,145	8,480	7,600
Plan assets	−3,365	−3,189	−3,036
Net liability	**4,779**	**5,291**	**4,564**

The following table shows the changes in the defined benefit obligation:

in €k	2015	2014
Opening balance of defined benefit obligation	**8,480**	**7,600**
Interest expense	178	262
Pension payments	−83	−151
Current service cost	102	66
Actuarial gains (−)/losses	−533	2,189
Change in basis of consolidation	0	−1,485
Closing balance of defined benefit obligation	**8,145**	**8,480**

The plan assets offset against the defined benefit obligation are measured at fair value. The changes in plan assets were as follows:

in €k	2015	2014
Opening balance of plan assets	**3,189**	**3,036**
Net interest income	67	111
Actuarial gains/losses (−)	21	−85
Contributions	91	127
Payments arising from plan assets	−2	0
Closing balance of plan assets	**3,365**	**3,189**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are employer's pension liability insurance policies entered into by GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH). These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to € 91k (prior year: € 127k).

Disclosed provisions for pensions developed as follows in the fiscal year:

in €k	2015	2014
Opening balance	**5,291**	**4,564**
Payments arising from pension obligations	−80	−151
Allocation to defined benefit obligation	212	218
Allocation to plan assets	−91	−127
Actuarial gains (−)/losses	−553	2,273
Change in basis of consolidation	0	−1,485
Closing balance	**4,779**	**5,291**

For further disclosures regarding changes to the provisions for pensions recognized in profit or loss, please refer to section IV.4. (Personnel expenses and number of employees).

A quantitative sensitivity analysis of the key assumptions as of December 31, 2015 is as shown below:

in €k	Dec. 31, 2015	Dec. 31, 2014
Interest rate		
Increase 0.5% (prior year: 0.2%)	−731	−357
Decrease 0.5% (prior year: 0.2%)	842	342
Salary trend		
Decrease 0.5% (prior year: 0.5%)	109	116
Decrease 0.5% (prior year: 0.5%)	−101	−107
Benefit trend		
Increase 0.5% (prior year: 0.5%)	627	646
Decrease 0.5% (prior year: 0.5%)	−560	−577

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realized changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

in €k	Dec. 31, 2015	Dec. 31, 2014
Within the next 12 months (next fiscal year)	90	83
Between 2 and 5 years	977	798
Between 5 and 10 years	1,380	1,334
More than 10 years	14,212	14,650
Total expected payments	**16,660**	**16,865**

The average duration of the defined benefit obligation at the end of the reporting period is 20 years.

23. Trade payables and other liabilities

This item comprises liabilities from other taxes, which include liabilities from wage and church taxes as well as social security and VAT liabilities. Advance payments received mainly relate to prepayments by customers for the collection process.

in €k	Dec. 31, 2015	Dec. 31, 2014
Liabilities from other taxes	3,061	1,967
Trade payables	3,449	3,506
Advance payments received	2,546	2,715
Deferred income and other items	3,461	1,357
Total	**12,517**	**9,545**

24. Income tax provisions

The income tax provisions relate to provisions for corporate income tax and solidarity surcharge totaling € 8.0 million (prior year: € 7.0 million), trade tax of € 7.7 million (prior year: € 7.5 million) and provisions for the tax audit of € 3.1 million (prior year: € 3.1 million).

The increase in income tax provisions for corporate income tax, solidarity surcharge and trade tax is mainly due to current income taxes.

IV. Income statement disclosures

1. Revenue

Revenue breaks down as follows:

in €k	2015	2014
Fees from the collection process	134,712	132,225
Cost refunds from the collection process	41,815	42,271
Revenue from acquired portfolios	91,346	67,621
Services and programming revenue	2,481	1,312
Maintenance revenue and royalties	1,342	394
Other	154	82
Total	**271,850**	**243,905**

Revenue is derived primarily from portfolio-related and performance-based fees for the management of receivables, the settlement of non-performing loans and receivables, realized surpluses on purchased overdue receivables that are supported by an enforcement judgment, and from the reimbursement of costs. The expenses incurred in connection with this revenue primarily relate to personnel expenses and other operating expenses, which are particularly shaped by reimbursed costs. In addition, the revenue from acquired portfolios represents the recognition of revenue from non-performing loans and receivables acquired for settlement. This relates to portfolios for which GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) bears the entire risk. Revenue was recognized for the interest on the assets reported in the balance sheet as well as the measurement of the portfolios as of the respective balance sheet dates.

Services and programming revenue as well as maintenance revenue and royalties relate to intratech GmbH which was acquired in fiscal year 2014.

2. Other operating income

Other operating income includes revenue from cost allocations, reversals of specific valuation allowances that were recognized in prior years and were no longer required as well as income from exchange differences. For more information on the reversal of provisions and accrued liabilities, please see section III.21. (Provisions).

Other operating income breaks down as follows:

in €k	2015	2014
Reversal of provisions and accrued liabilities	1,572	12,483
Reversal of provisions and liabilities	899	486
Income from the reversal of valuation allowances on receivables	921	486
Income from cost allocations and receipt of various fees	2	2
Income from exchange differences	0	2
Income from remuneration in kind	567	529
Income from the disposal of non-current assets	20	6
Other income	2,095	2,061
Total	**6,076**	**16,055**

Please see section III.21. (Provisions) for further information regarding the reversal of provisions.

3. Cost of purchased goods and services

Cost of purchased goods and services is largely attributable to the acquisition of hardware and access systems at intratech GmbH.

4. Personnel expenses and number of employees

The following summary shows the change in the number of employees (full-time equivalents—FTEs):

	2015	2014
Employees as of the balance sheet date	**798**	**801**
Average number of employees for the year	**805**	**806**

The average number of employees is determined on the basis of a monthly analysis.

Long-service bonus commitments have been made to some of the employees in the GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) Group. The provision (€ 353k; prior year: € 322k) was recognized based on the length of service to date, the current employee turnover rate, and a market-based discount rate.

For information on the severance of employees and former Executive Board members, please see section III.21. (Provisions).

The following amounts were recognized in the income statement in respect of pensions obligations:

in €k	2015	2014
Current service cost	102	66
Interest income	−67	−111
Interest expense	178	262
Total	**212**	**218**

In addition to the expenses for pension obligations, personnel expenses include employer contributions to the statutory pension insurance scheme in Germany. The German pension insurance scheme is classified as a defined contribution plan. The contributions paid amount to € 2,935k (prior year: € 2,927k).

Please see section III.22. (Provisions for pensions) for further information.

5. Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expense relates to the depreciation and impairment of property, plant and equipment and the amortization and impairment of intangible assets. Please refer to the information under sections III.1. (Property, plant and equipment) and III.2. (Intangible assets).

6. Other operating expenses

Other operating expenses break down as follows:

in €k	2015	2014
Costs of the collection process	150,316	139,638
Valuation allowances and write-downs on receivables	3,479	1,322
Valuation allowances and write-downs on financial assets	0	20
General and administrative expenses, contributions and rent	13,015	12,815
Personnel recruitment and freelancers	3,292	4,695
Consulting and auditing fees	3,471	3,089
Expenses from the measurement of NPL receivables	6,436	349
Other taxes	136	137
Commissions, incidental refinancing costs	6	282
Expenses from exchange differences	14	0
Expenses arising from the disposal of assets	6	118
Other operating expenses	687	1,377
Total	**180,858**	**163,842**

Costs of the collection process relate in particular to legal, court and dunning expenses as well as postage and other expenses incurred in the collection of receivables. The increase in expenses year on year is largely due to the € 6.0 million rise in expenses for collection lawyers.

The item ‘‘General and administrative expenses, contributions and rent’’ includes expenses from operating leases for vehicles and office equipment amounting to € 3.2 million (prior year: € 3.1 million).

Expenses from the measurement of NPL receivables relate to non-performing loans and receivables acquired for settlement which generated a negative profit contribution in the fiscal year, one reason for which being write-downs.

7. Interest and similar income

Interest and similar income mainly relates to the fair value measurement of derivatives.

8. Interest and similar expenses

Interest expenses arise mainly from loan liabilities to Garfunkel Holding GmbH (formerly Carl Holding GmbH) and expenses from fair value measurement as well as interest expenses from derivatives.

9. Income taxes

Group tax expense is calculated using a tax rate of 32.30% (prior year: 31.72%). This tax rate is also used for the calculation of deferred taxes.

The following table shows the tax reconciliation:

in €k	2015	2014
Earnings before income tax	33,601	28,380
Expected income taxes	**10,853**	**9,002**
Modification of the determination of taxable income	873	914
Measurement and utilization of loss carryforwards	−77	5
Out-of-period taxes	−12	2,674
Permanent effects	−948	−2,043
True-up/valuation allowances	105	447
Changes in tax rates	305	0
Other	−29	28
Effective income taxes	**11,070**	**11,027**

The modification to the determination of taxable income relates in particular to add-backs of non-tax deductible expenses of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH).

The permanent effects largely concern the interest on the hybrid loan from the shareholder and the recognition of equity investments. The tax expenses are as follows:

in €k	2015	2014
Current taxes	3,769	2,802
Current taxes from prior years	−12	2,674
Deferred taxes	7,313	5,551
Total	**11,070**	**11,027**

V. Other disclosures

1. Additional disclosures on financial instruments

The following table shows the breakdown of assets and liabilities as of December 31, 2015 by IAS 39 category:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	204,892	205,148
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	0	0
Liabilities			
Financial liabilities at amortized cost	FLAC	163,354	163,354
Financial liabilities at fair value through profit or loss	FLaFV	1,107	1,107

As of December 31, 2014, the breakdown is as follows:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	171,490	171,490
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	0	0
Liabilities			
Financial liabilities at amortized cost	FLAC	164,082	164,082
Financial liabilities at fair value through profit or loss	FLaFV	1,860	1,860

Derivatives that do not fall under the scope of hedge accounting are recognized in the balance sheet under the category ''Financial liabilities at fair value through profit or loss.'' Derivatives fall under Level 2 of the fair value hierarchy in IFRS 7.

The derivatives recognized (Level 2) relate exclusively to interest rate swaps that GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) concludes with its banking partners in OTC trade. In order to recognize the fair value of these derivatives, the fair value calculation performed by GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculations provided by the counterparties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Please see section II.7.a (Accounting treatment of acquired portfolios) for more information on the valuation techniques applied to the NPL investments.

The ''Financial liabilities at amortized cost'' are mostly fixed-rate loans. There is no evidence that the agreed credit spreads have changed significantly since the loans were entered into. Thus the carrying amounts remain equivalent to the fair values of the financial liabilities.

As of December 31, 2015, the breakdown of contributions to net gain/loss by IAS 39 category was as follows:

in €k Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	51,787	0	−612	33,655	**84,829**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	0	**0**
FLAC	0	7,886	0	28	**−7,858**
FLaFV	43	895	0	0	**−852**

As of December 31, 2014, the amounts were as follows:

in €k Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	44,437	2	−565	22,377	**66,246**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	0	**0**
FLAC	376	12,420	0	130	**−11,914**
FLaFV	25	1,275	0	0	**−1,251**

As part of refinancing arrangements for securitization transactions, various financial assets were pledged to third parties as collateral. The changes in financial assets pledged as collateral were as follows:

in €k	Dec. 31, 2015	Dec. 31, 2014
Assigned NPL portfolios	1,844	13,066
Total	**1,844**	**13,066**

There are no financial instruments that include multiple embedded derivatives.

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39.

in €k	Dec. 31, 2015	Dec. 31, 2014
Derivative financial instruments with negative fair values		
—not designated as part of a hedge relationship	−1,105	−1,860

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 either as of the current or prior-year balance sheet date. It was not possible to apply the rules of hedge accounting to the derivatives as of December 31, 2015.

2. Derecognition of assets

Refinancing of NPL portfolios

Some NPL portfolios are refinanced by the sale of these portfolios to special purpose entities. In this case, the assets are not derecognized, nor is it necessary to recognize any continuing involvement. GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) retains substantially all the risks and rewards of the NPL portfolios through the subordinated financing of the special purpose entity and the settlement terms for incoming payments from debtors. The assets continue to be recognized under ''Non-performing loans and receivables acquired for settlement'' (€50.1 million) and the liabilities under ''Other financial liabilities'' (€ 1.8 million; prior year: € 13.0 million).

3. Contingent liabilities

In connection with Multigestión Cartera's NPL sale to Alkali Investments II SARL, Luxembourg, there is a continued liability of € 2.3 million until December 31, 2015.

4. Other financial obligations

The following tables set out the expected changes in rent obligations for company offices, in the lease obligations for vehicles, IT and communications equipment the company uses itself and in maintenance agreement obligations.

As of December 31, 2015, the Group had the following financial obligations:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	4,061	10,544	5,694
Maintenance agreements	2,431	572	151
Operating leases	762	690	0

As of December 31, 2014, the financial obligations were as follows:

in €k	In the following year	1 to 5 years	More than 5 year
Rent	2,972	7,803	4,626
Maintenance agreements	358	197	0
Operating leases	2,073	2,224	350

GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) enters into leases for vehicles and communications and IT equipment that it uses itself in the course of its business. These leases are operating leases as defined by IAS 17.

5. Auditor's fees

The group auditor's fees for the fiscal years break down as follows:

in €k	2015	2014
Audit services	410	372
Tax services	144	85
Other services	157	420
Total	**711**	**876**

VI. Cash flow statement disclosures

The cash flow statement shows how the cash and cash equivalents in the GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) Group changed during the course of the year under review as a result of cash inflows and outflows. Cash flows in the cash flow statement are broken down by operating, investing and financing activities (IAS 7).

In the receivables management segment, the activities of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) include the acquisition and settlement of NPL portfolios for its own account. The related cash flows are separated and allocated to the cash flow from investing activities (acquisition of portfolios), cash flow from financing activities (financing of NPL investments) and cash flow from operating activities (recovery of payments from servicing). This means that cash is allocated more accurately.

The following specific disclosures are made:

1. Cash and cash equivalents comprised cash amounting to € 43.9 million (prior year: € 35.7 million). € 20.4 million (prior year: € 24.4 million) of this amount is earmarked funds as of December 31, 2015. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet.
2. The cash flow from operating activities is primarily shaped by the payments received for NPL portfolios (€ 108.6 million; prior year: € 90.0 million).

3. As of December 31, 2015, the Group's cash flow from operating activities amounted to € 66.8 million (prior year: € 36.9 million).

4. The cash flow from investing activities of −€ 58.7 million (prior year: −€ 29.7 million) includes payments for the purchase of NPL portfolios, property, plant and equipment, intangible assets, changes in loans granted, payments received from the disposal of assets and acquisitions and disposals of companies and shares. The cash flow from investments in NPL portfolios amounted to −€ 62.4 million (prior year: −€ 27.8 million).

5. Apart from the repayment of loans, the cash flow from financing activities of € 0.1 million (prior year: −€ 31.6 million) largely comprised cash received from the financing of NPL portfolios (€ 0.0 million; prior year: € 16.6 million).

6. In the period under review, the Group generated cash flow from interest paid of € 3.7 million (prior year: € 11.1 million) and interest received of € 19k (prior year: € 42k). The cash flow from income taxes was € 2.6 million (prior year: −€ 0.3 million).

VII. Events after the balance sheet date

On January 1, 2016, GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) concluded a sale and assignment agreement concerning the sale of the subsidiary Proceed Portfolio Services GmbH, which was executed on January 29, 2016. The price was less than € 1 million. The sale resulted in an insignificant profit for the GFKL Group.

On February 16, 2016, the shareholder meeting resolved that all no-par value shares of the former GFKL Financial Services Aktiengesellschaft, which this company acquired in the period between 2006 and 2015, having been authorized by the shareholder meeting to purchase treasury shares pursuant to Sec. 71 (1) No. 8 AktG [''Aktiengesetz'': German Stock Corporation Act], would be retired under the simplified retirement procedure in accordance with Sec. 237 (3) No. 3 AktG without a reduction in capital for the purpose of preparing the company for a change in legal form to a German limited liability company (GmbH). As a result, the amount of capital stock attributable to the individual remaining shares in accordance with Sec. 8 (3) AktG increased accordingly.

In its judgment of February 2016, the European Court of Justice ruled that the action filed by the company before it regarding the application of the restructuring clause of Sec. 8c KStG was admissible but unfounded. This did not give rise to any effects on the consolidated financial statements as of December 31, 2015, as sufficient provisions were recognized in prior years.

As of March 1, 2016, GFKL Financial Services Aktiengesellschaft was converted into a limited liability company (GmbH). Kamyar Niroumand, who served as Chairman of the Executive Board of GFKL Financial Services Aktiengesellschaft until February 29, 2016, assumed the position of Chairman of Management of GFKL Financial Services GmbH as of March 1, 2016.

In connection with the acquisition of Garfunkel Holding GmbH, Frankfurt am Main, the indirect sole shareholder of Garfunkel Holding GmbH, Garfunkelux Holdco 3 S.A., Luxembourg (''issuer''), issued a high-yield bond (senior secured notes) of € 365 million on July 23, 2015 with a coupon rate of 7.5%. The issuer is the indirect sole shareholder of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) via Garfunkel Holding GmbH, in which it holds 100% of the shares. The proceeds from the issue of the EUR-denominated bond were used for the acquisition of Garfunkel Holding GmbH and for the financing of the shareholder loan of € 93.3 million, which was issued to GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) on June 26, 2015. In addition, Garfunkel Holding GmbH as the borrower, the issuer as the guarantor, various banks as the arranging parties and lenders and ING Bank N.V. as the agent concluded an agreement on a revolving credit facility of € 200 million on June 29, 2015, which was last amended by amendment agreement from August 18, 2015. On October 19, 2015, the issuer and its parent company Garfunkelux Holdco 2 S.A., Luxembourg, also issued further high-yield bonds (senior notes and senior secured notes) of € 230 million with a coupon rate of 11% and of € 565 million with a coupon rate of 8.5%. The proceeds from the issue of these bonds were used to finance the acquisition of the UK-based Lowell Group which will form a corporate group with GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH) and its subsidiaries in the medium term. Following the conversion of GFKL Financial Services Aktiengesellschaft to a GmbH on March 1, 2016, GFKL Financial Services GmbH and several of its subsidiaries joined the aforementioned financing agreements as a borrower or guarantor. Together with IBW Verwaltungs- und

Beteiligungs GmbH, Wuppertal, Proceed Collection Services GmbH, Essen, GFKL Collections GmbH, Düsseldorf (formerly GFKL Collections GmbH, Potsdam) and Sirius Inkasso GmbH, Düsseldorf, GFKL Financial Services Aktiengesellschaft (March 1, 2016: GFKL Financial Services GmbH) has provided guarantees and various items of collateral for the bonds and the credit facility.

There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of December 31, 2015.

VIII. Related party relationships and management and Supervisory Board disclosures

1. Related parties

Effective as of June 30, 2015, the shares in the parent company Carl Holding GmbH, Frankfurt am Main, which had previously been held indirectly by Advent International Corporation, Boston, USA, were sold to Permira Holding Limited, Guernsey. The latter now indirectly holds 96.45% of the shares in the company. The following tables show transactions with related parties. In the tables, individual dealings, whether recognized in profit or loss or recognized directly in equity, have been aggregated under ''Transactions.'' The tables do not include any disclosures regarding the remuneration paid to the members of the Executive Board and Supervisory Board. These disclosures are set out in detail under section VIII.2. (Management and Supervisory Board disclosures).

Liabilities and transactions relating to services received break down as follows:

	Transactions		Balances	
	2015	2014	Dec. 31, 2015	Dec. 31, 2014
Advent International	832	1,631	0	20,686
Permira	2,373	0	116,220	0
Equity holders with a significant influence	**3,205**	**1,631**	**116,220**	**20,686**
Related parties of the equity holder with a significant influence	**0**	**1,485**	**0**	**201**
Associates	0	0	0	0
Entities over which key persons have a significant influence	0	0	0	0
Other related parties	219	223	55	21
Total	**3,423**	**3,339**	**116,275**	**20,908**

Liabilities to Advent International are mainly due to loans received from the former Carl Holding GmbH, Frankfurt am Main (merged with Garfunkel Holding GmbH, Frankfurt am Main, in 2015). Liabilities to Permira mainly relate to loans received from Garfunkel Holding GmbH, Frankfurt am Main. For more information about the loan from the former Carl Holding GmbH, Frankfurt am Main, please see section III.14. (Hybrid capital). For more information about the loan from Garfunkel Holding GmbH, Frankfurt am Main, please see section III.20. (Other financial liabilities).

Receivables and transactions relating to services received break down as follows:

in €k	Transactions		Balances	
	2015	2014	Dec. 31, 2015	Dec. 31, 2014
Advent International	11	21	0	0
Permira	15	0	0	0
Equity holders with a significant influence	**26**	**21**	**0**	**0**
Related parties of the equity holder with a significant influence	**1,193**	**1,636**	**0**	**602**
Associates	0	0	0	0
Entities over which key persons have a significant influence	4	1	0	1,871
Management in key positions	0	1	0	0
Total	**1,224**	**1,659**	**0**	**2,472**

Some members of the GFKL Group's management also hold investments in a Permira company, which indirectly via a trustee holds shares in GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH). The shares were acquired at market prices. This therefore did not have an effect on the profit or loss of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH). Rather, the shareholders are entitled to any potential exit income. Management may not freely sell the shares.

Related party transactions are conducted on an arm's length basis.

2. Management and Supervisory Board disclosures

As of March 1, 2016, GFKL Financial Services Aktiengesellschaft was converted into a limited liability company (GmbH). Due to the change in legal form, with immediate effect, a management body instead of an executive board acts on account of and represents the company.

The following personnel changes occurred in the corporate bodies in the period from January 1, 2015 to the date of preparation of the consolidated financial statements:

As of August 24, 2015, Christoph Pfeifer and Marc-Ulrich Knothe retired from the Executive Board of GFKL Financial Services Aktiengesellschaft. Until August 24, 2015, the former Executive Board comprised the following members:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	Aug. 24, 2015
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	—
Marc Knothe, Vienna	May 1, 2011	Aug. 24, 2015

From August 25, 2015 to February 29, 2016, the former Executive Board comprised the following members:

Members of the Executive Board	Appointed on	Left on
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	Feb. 29, 2016

Kamyar Niroumand, who served as Chairman of the Executive Board of GFKL Financial Services Aktiengesellschaft until February 29, 2016, assumed the position of Chairman of Management of GFKL Financial Services GmbH as of March 1, 2016.

Members of Management	Appointed on	Left on
Kamyar Niroumand (Chairman of Management), Berlin	Mar. 1, 2016	—

The following table shows the total remuneration paid to the former Executive Board and general managers and the remuneration entitlement for the members of the Supervisory Board specified by the articles of incorporation in the year under review:

in €k	2015	2014
Current remuneration	1,797	1,880
Termination benefits	797	0
Executive Board remuneration	**2,594**	**1,880**
Supervisory Board remuneration	55	92
Total remuneration	**2,649**	**1,972**

A pension obligation in favor of a former member of the Executive Board resulted in expenses of € 56k in the reporting period (prior year: € 0k). Please see section III.22. (Provisions for pensions) for further information.

As of June 30, 2015, Mr. Hans-Hermann Anton Lotter and Mr. Wilhelm Plumpe retired from the Supervisory Board. Until June 30, 2015, the Supervisory Board comprised the following members:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	—
Hans-Hermann Anton Lotter, Frankfurt am Main (Chairman)	Dec. 15, 2009	Jun. 30, 2015
Wilhelm Plumpe, Hamburg (Deputy Chairman)	Dec. 15, 2009	Jun. 30, 2015

On July 1, 2015, Philip Sebastian Muelder and Ulrich Gasse took up their positions as Chairman and Deputy Chairman of the Supervisory Board of the former GFKL Financial Services Aktiengesellschaft. Ulrich Gasse left the Supervisory Board as of February 29, 2016.

From July 1, 2015 to February 29, 2016, the Supervisory Board comprised the following members:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	—
Philip Sebastian Muelder, London (Chairman)	Jul. 1, 2015	—
Ulrich Gasse, Königstein/Taunus (Deputy Chairman)	Jul. 1, 2015	Feb. 29, 2016

Upon conversion of the company to a GmbH, Heinz Hilgert assumed the position of Deputy Chairman of the Supervisory Board as of March 1, 2016.

Since March 1, 2016, the Supervisory Board has comprised the following members:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	—
Philip Sebastian Muelder, London (Chairman)	Jul. 1, 2015	—
Heinz Hilgert, Frankfurt am Main (Deputy Chairman)	Mar. 1, 2016	—

Essen, March 31, 2016

Sgd. Kamyar Niroumand
Chairman of Management

List of shareholdings of GFKL Financial Services Aktiengesellschaft (since March 1, 2016: GFKL Financial Services GmbH), Essen, in accordance with Sec. 313 (2) HGB	Shareholding in %	
	Direct	Indirect[1]
debifact Factoring GmbH & Co. KG, Wuppertal	100	
debifact Verwaltungs GmbH, Wuppertal		100
Deutsche Multiauskunftei GmbH, Karlsruhe	100	
GFKL PayProtect GmbH, Essen[2]	100	
GFKL Service Center GmbH, Gelsenkirchen	100	
INKASSO BECKER WUPPERTAL GmbH & Co. KG, Wuppertal	100	
IBW Verwaltungs- und Beteiligungs GmbH, Wuppertal		100
intratech GmbH, Cologne		51
Proceed Collection Services GmbH, Essen	100	
Sirius Inkasso GmbH, Düsseldorf		100
Proceed Portfolio Services GmbH, Essen	100	
GFKL Collections GmbH, Düsseldorf (formerly Potsdam)	100	
ZYKLOP INKASSO DEUTSCHLAND GMBH, Krefeld	100	

(1) The shareholding stated for indirect equity investments is the interest held by the parent company in question.

(2) Trading as Domnowski Inkasso GmbH, Essen, until December 21, 2015.

GFKL FINANCIAL SERVICES AG

Report and Consolidated Financial Statements

Year ended 31 December 2014

Translation of the German-language auditor's report, which refers to the audit of the German-language consolidated financial statements and the German-language group management report of GFKL Financial Services AG, Essen, as of and for the year ended December 31, 2014 as a whole

Auditor's report

We have audited the consolidated financial statements prepared by GFKL Financial Services Aktiengesellschaft, Essen, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [''Handelsgesetzbuch'': German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, March 31, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Pfeiffer Wirtschaftsprüfer [German Public Auditor]	Hiller-Breh Wirtschaftsprüferin [German Public Auditor]

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Balance Sheet as of December 31, 2014 (in accordance with IFRSs)

in €k

	Notes	Dec. 31, 2014	Dec. 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	III.1.	3 799	2 354
Intangible assets	III.2.	19 268	16 156
Goodwill	III.3.	21 585	23 523
Non-performing loans and receivables acquired for settlement	III.4.	59 458	59 681
Other financial assets	III.6.	8 392	78
		112 502	**101 793**
Current assets			
Inventories	III.8.	29	0
Non-performing loans and receivables acquired for settlement	III.4.	43 356	41 011
Trade and other receivables	III.9.	10 761	10 136
Income tax refund claims	III.10.	4 370	4 630
Other financial assets	III.6.	12 897	12 632
Cash and cash equivalents	III.11.	35 743	58 212
		107 157	126 620
Assets classified as held for sale	III.12.	0	11 433
		107 157	**138 053**
Total assets		**219 659**	**239 846**
EQUITY AND LIABILITIES			
Equity			
Share capital	III.13.	25 884	25 884
Capital reserves	III.14.	51 760	51 668
Hybrid capital	III.15.	36 682	33 852
Treasury shares	III.16.	– 17 890	– 17 890
Retained earnings	III.17.	64	97
Valuation reserves	III.18./III.25.	– 2 853	– 1 291
Net retained loss		– 86 639	– 98 881
Equity attributable to equity holders of the parent		7 008	– 6 561
Non-controlling interests	III.19.	761	– 100
Total equity		**7 768**	**– 6 661**
Non-current liabilities			
Liabilities to banks	III.22.	71 870	100 008
Derivatives with negative fair values	III.5.	1 289	1 616
Other financial liabilities	III.23.	32 669	30 777
Provisions	III.24.	642	1 019
Provisions for pensions	III.25.	5 291	4 564
Deferred tax liabilities	III.7.	10 704	5 093
		122 465	143 077
Current liabilities			
Liabilities to banks	III.22.	7 541	10 042
Derivatives with negative fair values	III.5.	571	443
Trade payables and other liabilities	III.26.	9 545	8 509
Other financial liabilities	III.23.	42 457	41 456
Income tax provisions	III.27.	17 630	14 224
Provisions	III.24.	11 682	24 107
		89 426	98 780
Liabilities classified as held for sale	III.12.	0	4 650
		89 426	103 430
Total liabilities		**211 891**	**246 507**
Total equity and liabilities		**219 659**	**239 846**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Income Statement for the Period from January 1 to December 31, 2014

(in accordance with IFRSs)

in €k

	Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Revenue	IV.1.	243 839	190 396
Other operating income	IV.2.	16 055	11 069
Cost of purchased goods and services	IV.3.	763	0
Personnel expenses	IV.4.	45 191	43 951
Depreciation, amortization and impairment expense	IV.5.	6 277	3 850
Other operating expenses	IV.6.	163 779	134 570
Interest and similar income	IV.7.	545	2 642
Interest and similar expenses	IV.8.	16 049	14 828
Earnings before tax		**28 380**	**6 908**
Income taxes	IV.9.	11 027	−7 536
Profit/loss from continuing operations		**17 354**	**14 444**
Profit/loss from discontinued operations	**IV.10.**	−2 260	−12 157
Consolidated profit/loss for the period		**15 094**	**2 288**
Profit attributable to non-controlling interests		21	0
Loss attributable to non-controlling interests		0	13
Profit/loss attributable to equity holders of the parent		**15 073**	**2 301**
Earnings per share from continuing operations in € (after non-controlling interests)			
Basic	V.1.	0,70	0,58
Diluted	V.1.	0,70	0,58
Earnings per share from discontinued operations in € (after non-controlling interests)			
Basic	V.1.	−0,09	−0,49
Diluted	V.1.	−0,09	−0,49

(1) Prior-year figures were adjusted.

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Comprehensive Income for the Period from January 1 to December 31, 2014 (in accordance with IFRSs)

in €k

	Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Consolidated profit/loss for the period		**15 094**	**2 288**
Result from the valuation reserve for financial instruments	III.18.	0	542
Result from deferred taxes for financial instruments	III.7.	0	−172
Items that may be reclassified to profit or loss in the future		**0**	**370**
Actuarial gains and losses on pension plans	III.18., III.25.	−2 273	−390
Deferred taxes on actuarial gains and losses from pension plans	III.18., III.25.	711	106
Items that will not be reclassified to profit or loss in the future		**−1 563**	**−284**
Other comprehensive income		**−1 563**	**86**
Total comprehensive income		**13 532**	**2 374**
Thereof attributable to:			
Equity holders of the parent		13 510	2 387
Non-controlling interests		21	−13

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Changes in Equity for the Period from January 1 to December 31, 20

in €k

Notes	Share capital III.13.	Capital reserves III.14.	Hybrid capital III.15.	Treasury shares III.16.	Retained earnings III.17.	Valuation reserves: Valuation reserve for actuarial gains and losses III.18., III.25.	Valuation reserves: Valuation reserv for financial instruments III.18.
As of January 1, 2013 before adjustment	**25 884**	**51 668**	**31 246**	**−17 890**	**64**	**0**	**−370**
Effects from first-time application of IAS 19R	**0**	**0**	**0**	**0**	**0**	**−1 007**	**0**
As of January 1, 2013 after adjustment	**25 884**	**51 668**	**31 246**	**−17 890**	**64**	**−1 007**	**−370**
Other comprehensive income	0	0	0	0	0	−284	370
Consolidated profit/loss for the period	0	0	2 605	0	0	0	0
Total comprehensive income	**0**	**0**	**2 605**	**0**	**0**	**−284**	**370**
Acquisition of non-controlling interests	0	0	0	0	33	0	0
As of December 31, 2013	**25 884**	**51 668**	**33 852**	**−17 890**	**97**	**−1 291**	**0**
As of January 1, 2014	**25 884**	**51 668**	**33 852**	**−17 890**	**97**	**−1 291**	**0**
Other comprehensive income	0	0	0	0	0	−1 563	0
Consolidated profit/loss for the period	0	0	2 831	0	0	0	0
Total comprehensive income	**0**	**0**	**2 831**	**0**	**0**	**−1 563**	**0**
Sale of the Multigestión Group	0	91	0	0	−33	0	0
Sale of non-controlling interests	0	0	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0
As of December 31, 2014	**25 884**	**51 760**	**36 682**	**−17 890**	**64**	**−2 853**	**0**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2014 (in accordance with IFRSs)

in €K

		Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
1.	***Operating activities***			
	Profit/loss from continuing operations		17 354	14 444
	Profit/loss from discontinued operations		− 2 260	− 12 157
	Consolidated profit/loss for the period		**15 094**	**2 288**
	Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities			
+	Depreciation, amortization and impairment expense		6 277	16 307
+	Accounting losses from the disposal of property, plant and equipment/intangible assets		118	2
−	Gain from the disposal of property, plant and equipment/ intangible assets		− 6	− 15
+/−	Change in provisions		− 9 088	− 10 519
+/−	Change in deferred taxes		5 554	− 368
−/+	Repayments and changes in value of NPL portfolios		23 926	32 202
	Changes in assets and liabilities in the period			
−/+	Inventories		− 13	0
−/+	Trade and other receivables		− 314	620
+/−	Trade payables and other liabilities		− 857	− 437
−/+	Change in lease assets/lease refinancing		0	0
−/+	Changes in other net assets		− 3 746	13 233
=	**Cash flow from operating activities**	**VI.2, VI.3**	**36 945**	**53 312**
2.	***Investing activities***			
+	Cash received from the disposal of property, plant and equipment/intangible assets		10	6
−	Acquisition of property plant and equipment/intangible assets		− 4 952	− 2 063
−	Investment in NPL portfolios		− 27 774	− 26 064
+	Divestment of NPL portfolios		1 725	6 030
−	Acquisition of companies and shares less net cash acquired		− 1 630	0
+/−	Sale of companies and shares less net cash sold		2 953	0
=	**Cash flow from investing activities**	**VI.4**	**− 29 667**	**− 22 090**
3.	***Financing activities***			
−	Repurchase of shares from former ABIT shareholders(1)		− 21	− 11
+	Cash received from bank loans		87 000	0
−	Repayment of bank loans		− 116 099	− 14 492
+	Cash received from financing for NPL portfolios		16 647	18 321
−	Repayment of financing for NPL portfolios		− 19 134	− 13 142
=	**Cash flow from financing activities**	**VI.5**	**− 31 608**	**− 9 324**
4.	***Development of liquidity***			
	Cash and cash equivalents at the beginning of the period		60 072	38 174
+	Change in cash and cash equivalents		− 24 329	21 898
=	**Cash and cash equivalents at the end of the period**	**VI.1**	**35 743**	**60 072**
5.	**Composition of cash and cash equivalents**			
	Cash		**35 743**	**60 072**
	thereof restricted cash		24 359	19 796

(1) ABIT = former ABIT AG, which was merged into GFKL Financial Services Aktiengeselslchaft in 2005

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2014 (in accordance with IFRSs)

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2014 (in accordance with IFRSs)

I. General comments

GFKL Financial Services Aktiengesellschaft, Essen (GFKL), is the parent of the GFKL Group. The company's registered offices are at Am EUROPA-CENTER 1b, Essen, Germany. It is entered in the commercial register of the Local Court of Essen under HRB No. 13522. Carl Holding GmbH, Frankfurt am Main—a subsidiary of Advent International Corp., Boston, USA—is the majority shareholder with a stake of 97.95%. GFKL is a financial services provider in the receivables management segment. Please refer to the management report for further information on operating activities.

The consolidated financial statements for fiscal year 2014 were authorized for issue by the Executive Board on March 31, 2015.

Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH have been included in full in the consolidated financial statements of GFKL. Indirect or direct control and profit and loss transfer agreements have been concluded with all of the aforementioned companies, which all make use of the exemption option specified in Sec. 264 (3) HGB [''Handelsgesetzbuch'': German Commercial Code]. debifact Factoring GmbH & Co. KG and INKASSO BECKER WUPPERTAL GmbH & Co. KG have also been included in full in the consolidated financial statements of GFKL. They make use of the exemption option specified in Sec. 264b HGB.

II. Basis of presentation and accounting policies

1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of GFKL Financial Services Aktiengesellschaft, Essen, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with Sec. 315a HGB [''Handelsgesetzbuch'' German Commercial Code]. In addition to GFKL Financial Services Aktiengesellschaft, the holding company, the GFKL Group includes 13 fully consolidated first and second-tier subsidiaries. An overview of all indirect and direct shareholdings is attached to these notes as an exhibit. GFKL Financial Services AG exercises full control over the 13 fully consolidated first and second-tier subsidiaries in accordance with IFRS 10.6, since it is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. The power to control the investees is derived directly and solely from the voting rights (IFRS 10.11).

The consolidated financial statements are generally prepared using the cost method. However, non-performing loans and receivables acquired for settlement and derivative financial instruments are measured at fair value rather than at cost.

Unless stated otherwise, all figures are shown in thousands of euros (€k). All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated. These consolidated financial statements include comparative information for the prior reporting period.

2. Changes in accounting policies and disclosure

There were no changes in accounting policies and disclosure in the reporting period.

3. Effects of new and amended IFRSs

a) Accounting standards implemented in the fiscal year

The International Accounting Standards Board (IASB) published various amendments to existing IFRSs and new standards and interpretations.

II. Basis of presentation and accounting policies (Continued)

The following new standards and amendments and changes in standards and amendments that were mandatory in fiscal year 2014 for the first time did not have any significant effect on the consolidated financial statements of GFKL:

- IFRS 10—*Consolidated Financial Statements:* New guidelines on control and consolidation of subsidiaries
- IFRS 11—*Joint Arrangements:* New classification of joint operations and joint ventures and abolishment of the proportionate consolidation option
- IFRS 12—*Disclosure of Interests in Other Entities:* Disclosures on consolidated and non-consolidated entities
- IFRS 10/IFRS 11/IFRS 12—Changes—transition provisions: Changes in transition guidance
- IFRS 10/IFRS 12/IAS 27—Investment Entities: The changes grant an exemption from the consolidation of subsidiaries if the parent meets the definition of an ''investment entity'' (e.g., certain investment funds). Certain subsidiaries are then measured at fair value through profit or loss in accordance with IFRS 9/IAS 39
- IAS 27—*Separate Financial Statements:* Consequential amendments as a result of the new provisions for full consolidation under IFRS 10
- IAS 28—*Investments in Associates and Joint Ventures:* Consequential amendments due to the requirement to consolidate jointly controlled entities using the equity method and other changes
- IAS 32—*Financial Instruments:* Offsetting Financial Assets and Financial Liabilities
- IAS 39—*Novation of Derivatives and Continuation of Hedge Accounting*

II. Basis of presentation and accounting policies (Continued)

b) Accounting standards that have been issued but are not yet to be implemented

In addition to the above applicable IFRSs, other standards and interpretations were published, some of which have been endorsed by the EU, but will not become mandatory until a later date.

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Anticipated effects on the consolidated financial statements
IFRS 9	Financial Instruments	Jul. 24, 2014	Jan. 1, 2018	No	Change in the classification of financial assets; calculation of loss allowances based on expected credit losses; greater alignment of hedge accounting with operational risk management
IFRS 10/IFRS 12/ IAS 28	Investment Entities: Applying the Consolidation Exception	Dec. 18, 2014	Jan. 1, 2016	No	None
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	Jan. 1, 2016	No	None
IFRS 14	Regulatory Deferral Accounts	Jan. 30, 2014	Jan. 1, 2016	No	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2017	No	Provision, to a greater extent than previously, of useful information on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers; to this end, IFRS 15 provides a 5-step principles- based model
IAS 1	Disclosure Initiative	Dec. 18, 2014	Jan. 1, 2016	No	No significant changes
IAS 16/ IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	May 12, 2014	Jan. 1, 2016	No	No significant changes
IAS 16/ IAS 41	Agriculture: Bearer Plants	Jun. 30, 2014	Jan. 1, 2016	No	None
IAS 19	Employee Benefits: Defined Benefit Plans: Employee contributions	Nov. 21, 2013	Feb. 1, 2015	Yes	No significant changes
IAS 27	Equity Method in Separate Financial Statements	Aug. 12, 2014	Jan. 1, 2016	No	No significant changes
IFRS (2010 to 2012)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Feb. 1, 2015	Yes	No significant changes
IFRS (2011 to 2013)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Jan. 1, 2015	Yes	No significant changes
IFRS (2012 to 2014)	Changes and clarifications to various IFRSs	Sep. 25, 2014	Jan. 1, 2016	No	No significant changes
IFRIC 21	Levies	May 20, 2013	Jun. 17, 2014	Yes	No significant changes

Voluntary early adoption of the standards is not planned.

II. Basis of presentation and accounting policies (Continued)

4. Changes in accounting estimates

Changes relate in particular to the parameters of NPL measurement, which are regularly adjusted in line with the market and the determination of expected cash flows, which were also adjusted using the same estimation techniques. For more information on the adjustment of the parameters, please refer to section II.5. (Significant accounting estimates and assumptions) below and section III.4. (Non-performing loans and receivables acquired for settlement). No changes were made in estimation techniques in the year under review.

5. Significant accounting estimates and assumptions

The primary assumptions concerning future events and other key sources of estimation uncertainty as of the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

Non-performing loans and receivables acquired for settlement

The current and non-current non-performing portfolios acquired for settlement contained loans and receivables valued at €102.8 million as of the balance sheet date (prior year: €100.7 million). The portfolios include distressed loan receivables and other distressed receivables that the Group acquires for settlement at a significant discount from the nominal amounts. Since there is no active market for these assets within the meaning of IFRS 13, as transactions for the assets or liabilities did not take place with sufficient frequency and volume to provide price information on an ongoing basis, they were measured in accordance with IFRS 13.3 using an investment model, which was also used to set the purchase price. The valuation model involves calculating expected proceeds and determining expected costs. Various valuation techniques may be applied to estimate recoverable payments on unsecured receivables. The valuation technique selected depends on the scope and quality of the data supplied by the seller and the type of receivable. In some cases, the results of different valuation techniques are compared and deviations in the results are analyzed. In doing so, the future estimated cash flows including service costs, refinancing costs and the calculated margin are discounted to obtain the price on the date of purchase.

To determine estimated cash flows from unsecured receivables, payment histories of similar portfolios are generally used during the measurement process.

In the case of secured receivables, emphasis is placed on measuring the value of the collateral, which primarily consists of mortgage liens on real property.

For both unsecured and secured receivables, the expected costs are calculated on the basis of the historical costs of the respective service company and estimated for the future. The relevant factors are the origin of the receivable, the number of individual receivables, their average volume, and the attainable level of servicing automation.

Determining the recoverability of guarantee claims

Guarantee claims involve advance payments by the GFKL Group that are settled in the process of servicing the receivables. Estimates are used to determine the recoverability of the guarantee claims by forecasting expected future cash flows on the basis of past experience and discounting the amounts using a weighted refinancing interest rate.

Goodwill impairment test

GFKL tests goodwill (€21.6 million; prior year: €23.5 million) for impairment at least once a year. This requires estimating the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate value in use, the Group must estimate the expected future cash flows from that

II. Basis of presentation and accounting policies (Continued)

cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Please also refer to the disclosures under section III.3. (Goodwill).

Pension obligations

When measuring provisions for pensions (€5.3 million; prior year: €4.6 million), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. Please also refer to the disclosures under section III.25. (Provisions for pensions).

6. Significant accounting judgments

Change in the basis of consolidation

The Group sold the Multigestión Group, liquidated the Spanish Universal Lease Iberia Properties, S. L., sold SBL Mobilien GmbH, acquired intratech GmbH and Deutsche Multiauskunftei GmbH and established and included GFKL Service Center GmbH in the basis of consolidation. Please refer to section II.8.a (Consolidation disclosures) for more information.

Securitization of NPL portfolios

To diversify the financing structure, GFKL again made use of the capital market in 2014 in order to securitize non-performing loans. The objective was to establish a structure which, once successfully up and running, could be used to place further tranches in subsequent years.

NPL portfolios with a net present value totaling €22.1 million were thus securitized in the reporting period. With GFKL having acquired the junior tranche, this resulted in a net cash inflow of €16.6 million for the company in March 2014.

The plan is to use the established structure for more securitizations in 2015.

Treatment of VAT backpayments

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG [''Umsatzsteuergesetz'': German VAT Act] for the input transactions related to the acquisition of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, an interpretative letter from the Federal Ministry of Finance is expected in the first half of 2015, containing a transitional arrangement for the application of the UStAE [''Umsatzsteueranwendungserlass'': Decree on the Application of the German VAT Act] (part 2.4 UStAE) that is still in effect. The company recognized a provision of €7.3 million (prior year: €14.6 million, assuming that there will be no input VAT deduction) for VAT not paid in connection with purchases of exposures in the past.

Based on the aforementioned court rulings, the company reduced the input VAT deductions by a flat 30% in consultation with the tax authorities in 2012. These amounts were taken into account again during the preparation of the tax returns. The resulting claim of €3.4 million was offset against the aforementioned provision for the first time in 2014. As a result, the provision amounts to €3.8 million plus €2.7 million in interest (prior year: €2.2 million).

II. Basis of presentation and accounting policies (Continued)

The relief effects previously taken into account for income tax provisions of €2.4 million were released to profit or loss (see also section III.27. (Income tax provisions)).

As the tax authorities have still not made a final decision with regard to the above matter, this amount may change to the benefit or detriment of the company.

7. Significant accounting policies

a) Accounting treatment of acquired portfolios

The acquired portfolios are reported at fair value under ''Non-performing loans and receivables acquired for settlement.'' In line with their accounting treatment, the portfolios are reported at fair value to the competent decision-makers, who manage the assets on this basis. The portfolios are initially recognized at cost.

They are then subsequently measured using a market value-based investment model that also formed the basis for determining the purchase price. The model is based on anticipated payment receipts and costs to which a discount factor is applied. The valuation inputs of costs and discounting are estimated depending on the classification of the portfolio. Depending on the classification, the average calculated cost rates range between 12% and 48% of the expected cash receipts. Discounting is carried out using an internal rate of return (IRR) of 8% to 40%.

The initial discount factor changes over the term of the portfolios due to changes in interest rates on the capital market. Changes to discounting lead to additional monthly income or expenses from the portfolios due to changes in market interest rates.

The actual payments collected in respect of a receivable are broken down into income and capital components under the investment model taking discounting into account. The income components are reported under revenue and the capital component is reported as a payment of the principal.

b) Recognition and measurement of financial instruments

The application of IAS 39 means that, on initial recognition, all financial assets and financial liabilities must be allocated to one of the six categories explained below. In the case of financial instruments not measured at fair value through profit or loss, the measurement includes transaction costs directly attributable to the acquisition of the financial asset concerned. Subsequent measurement of financial assets and financial liabilities depends on their classification. Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

i) Financial assets at fair value through profit or loss

This category relates to financial assets that must be recognized at fair value through profit or loss. Such assets are initially recognized at cost, which at this point equates to fair value. The assets must also be measured subsequently at fair value. Any gains or losses arising from subsequent measurement are recognized in profit or loss. The main assets in the Group falling into this category are non-performing loans and receivables acquired for settlement because the Group manages these assets and measures their performance on the basis of fair value. For further information, please refer to ''Accounting treatment of acquired portfolios'' (section II.7.a). Derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39 are also measured at fair value through profit or loss. They are used to hedge interest-rate related changes in the market values of NPL portfolios.

ii) Held-to-maturity financial assets

Financial assets must have a fixed maturity and a fixed schedule of payments if they are to be classified under this category. At every balance sheet date, it must be demonstrable that the company has the

II. Basis of presentation and accounting policies (Continued)

positive intention of continuing to hold these assets to maturity. Such assets are measured at cost or amortized cost. GFKL does not hold any assets in this category.

iii) Loans and receivables

This category covers loans and receivables recognized as a result of the provision of monies or services, or loans and receivables that the company has acquired. Such assets are initially recognized at cost and subsequently measured at amortized cost. The following balance sheet items fall into this category: ''Other financial assets,'' ''Trade and other receivables'' and ''Cash and cash equivalents.''

iv) Available-for-sale financial assets

This category covers all remaining non-derivative financial assets not classified under one of the aforementioned categories. The financial assets recognized in this category are measured at fair value, both on initial recognition and subsequent measurement. Changes in the fair value of the assets are recognized directly in other comprehensive income in a revaluation reserve. When an asset is derecognized, this revaluation reserve must be reversed to the income statement. Unlike the prior year, GFKL had no assets in this category as of the balance sheet date.

v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as ''at fair value through profit or loss'' on initial recognition. With the exception of financial derivatives with negative fair values that do not qualify for hedge accounting, GFKL did not hold any financial liabilities in this category as of the balance sheet dates.

vi) Financial liabilities at amortized cost

Following initial recognition, interest-bearing liabilities are measured at amortized cost. The balance sheet items falling into this category are as follows: ''Liabilities to banks,'' ''Other financial liabilities,'' and ''Trade payables and other liabilities.''

c) Other significant accounting policies

Assets classified as held for sale and liabilities classified as held for sale

Non-current assets/liabilities classified as held for sale, together with assets/liabilities in a disposal group classified as held for sale, must be presented on the face of the balance sheet separately from other assets. Please see section III.12. (Disclosures regarding discontinued operations) for further information.

Trade and other receivables

Receivables are carried at the settlement amount and are due for payment within one year. Specific valuation allowances were recognized for receivables subject to a default risk.

Goodwill and impairment testing

Goodwill arising from a business combination is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year and whenever new factors or changes in circumstances indicate that the carrying amount could be impaired.

II. Basis of presentation and accounting policies (Continued)

Impairment tests require that the goodwill be allocated to one of the cash-generating units from the date the entity concerned is acquired. This applies regardless of whether other assets and liabilities of the acquired entity have already been allocated to these units. Any unit to which goodwill has been allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Impairment is identified by determining the recoverable amount for the cash-generating unit. If the recoverable amount for the cash-generating unit is below its carrying amount, an impairment loss is recognized.

An impairment test was also carried out on the balance sheet date on all other assets where the factors specified by IAS 36.12 indicated that the asset could be impaired. At every balance sheet date, a test is carried out to establish whether there are indications that the reasons for an impairment loss recognized in prior periods no longer exists or could have diminished. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. Any previously recognized impairment loss must then be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to the recoverable amount. The increased carrying amount of this asset must not exceed the carrying amount that would have been determined (net of amortization/depreciation) had no impairment loss been recognized for the asset in prior years.

Other assets

Other assets and other rights are reported at amortized cost. Intangible assets and property, plant and equipment are carried at cost less amortization/depreciation. Borrowing costs are added to the cost of an asset, provided it is a qualifying asset pursuant to IAS 23. Amortization/depreciation is recognized on a straight-line basis over a period that reflects the standard useful life of these assets in the industry. These amortization/depreciation periods are as follows: internally developed software, 4 to 6 years; other intangible assets, 3 to 10 years; vehicles, 5 years; and other office furniture and equipment, 2 to 15 years. Residual values of assets, useful lives and amortization/depreciation methods are reviewed at the end of each fiscal year and adjusted where required.

Taxes

Consolidated tax group

GFKL Financial Services Aktiengesellschaft forms a consolidated tax group for trade tax and corporate income tax purposes through control and profit and loss transfer agreements with the following companies: Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH.

As of December 31, 2014, the following companies formed a consolidated tax group for value-added tax (VAT) purposes with the parent: Domnowski Inkasso GmbH, Proceed Portfolio Services GmbH, Proceed Collection Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH. Due to the sale of SBL Mobilien GmbH on December 29, 2014, this company is no longer included in the consolidated tax group as of December 31, 2014.

Current taxes

Current income tax refund claims and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

II. Basis of presentation and accounting policies (Continued)

Deferred taxes

Deferred taxes are recognized using the balance sheet liability method for all temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset will be realized or the liability settled. These rates are based on tax rates and tax regulations enacted or announced as of the balance sheet date.

Income taxes that relate to items recognized directly in equity or in other comprehensive income are themselves recognized directly in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are netted if the Group has an enforceable right to offset current tax assets against current tax liabilities and these deferred tax assets and liabilities relate to income tax in the same taxable entity levied by the same tax authority. Current and non-current deferred tax assets and liabilities are recognized as a net item under non-current liabilities.

VAT

Income, expenses and assets are recognized net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognized as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

Provisions

As specified by IAS 37, a provision is recognized if there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense in connection with the recognition of a provision is recognized in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

Provisions for pensions—

GFKL provides defined benefit pension plans. Provisions for pensions are calculated pursuant to IAS 19. Actuarial models are used to calculate the provisions for pensions and the related pension expenses. These calculations use various assumptions such as current actuarial probabilities (discount factors, increase in cost of living, etc.), assumptions regarding turnover based on age and years of service as well as experience-based assumptions concerning the probability of occurrence of pension payments, annuity payments or endowment payments. The probabilities used in the inputs may deviate from actual developments due to changes in market and economic conditions. Sensitivity analyses are used to determine the financial effects of the deviations in the significant inputs.

II. Basis of presentation and accounting policies (Continued)

Liabilities

Loans are initially recognized at the fair value of the consideration received after deducting any transaction costs incurred in taking out the loan. Interest-bearing liabilities are carried at the expected settlement amount including the accrued interest. Non-interest bearing liabilities arise in the form of trade payables and other liabilities.

Treasury shares

Treasury shares include all shares for which GFKL AG issued a cash settlement offer as part of the merger with ABIT AG in 2006. For the recognition of these shares, it is irrelevant as to whether they have already been tendered to GFKL AG. For those shares not yet tendered, a liability has been recognized under other financial liabilities. Proceedings are pending with regard to the settlement amount.

Cash flow and fair value hedges

Derivative financial instruments are used for hedging. As of the balance sheet date, they relate both to hedging the risk of a change in the fair value of a recognized asset or a recognized liability and to hedging the risk of variability in cash flows.

Such derivative financial instruments are initially recognized at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of a derivative are recognized immediately in profit or loss.

Foreign currencies

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions denominated in foreign currency are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Exchange differences are recognized in profit or loss.

d) Income statement

The income statement is prepared using the nature of expense method.

Revenue

Revenue is recognized as soon as it is probable that the economic benefit will flow to GFKL and the amount of the revenue can be reliably determined.

Income in respect of non-performing loans and receivables acquired for settlement is reported under revenue. This revenue relates to changes in fair values, arising primarily from the income from the investment in the receivable and any income derived from ongoing servicing.

8. Consolidation disclosures

a) Basis of consolidation

The basis of consolidation has changed as follows compared to December 31, 2013:

The company acquired shares in intratech GmbH, Cologne, effective as of June 30, 2014. Its share capital amounts to €25k. The shares acquired as of the date of sale are equivalent to a 42.6% stake in the share capital of intratech GmbH. The purchaser is INKASSO BECKER WUPPERTAL GmbH & Co. KG, a wholly owned subsidiary of GFKL Financial Services Aktiengesellschaft, Essen. In addition, a resolution

II. Basis of presentation and accounting policies (Continued)

was approved to increase intratech GmbH's share capital by €4,260 to €29,260. Following the capital increase, INKASSO BECKER WUPPERTAL GmbH & Co. KG 51.0% holds of intratech GmbH' share capital. The capital increase was entered in the commercial register on July 28, 2014. The purpose of intratech GmbH is the development of software interpretations, network administration, services related to office management, assembly and installation of computer systems and other technical equipment as well as all kinds of related business. Effective as of July 1, 2014, Walter Süss, Elchesheim-Illingen, was appointed as an additional general manager of intratech GmbH.

GFKL Service Center GmbH, Gelsenkirchen, was established on May 12, 2014. Its share capital amounts to €25k. The entry in the commercial register was made on June 27, 2014. The entity renders commercial and organizational services including IT-related work for other companies. The entity's general manager is Marc-Ulrich Knothe, Vienna, Austria.

The company acquired all the shares in Deutsche Multiauskunftei GmbH, effective as of October 27, 2014. Deutsche Multiauskunftei with its registered office in Karlsruhe is an established consulting firm and a credit information agency. Contrary to conventional credit information agencies, it has no credit rating information of its own, but rather serves as a central interface to leading information agencies in Germany, Austria and Switzerland.

The company Universal Lease Iberia Properties S.L., Seville, Spain, was liquidated with effect from December 18, 2014.

The company sold all its shares in Multigestión Portfolio S.L., Madrid, with effect from December 30, 2014.

The company sold all its shares in SBL Mobilien GmbH, Essen, effective as of December 31, 2014.

The significant assets and liabilities of the entities sold in fiscal year 2014 break down as follows:

in €k	Deconsolidated assets and liabilities
Other receivables and assets	3 915
Cash and cash equivalents	1 347
Subtotal	**5 263**
Other liabilities	1 435
Provisions	1 762
Net assets	**2 066**
Cash outflow from the disposal of companies:	
Cash deconsolidated with the subsidiary	–1 347
Cash flow (balance)	**–1 347**

The balance of cash inflows and outflows from disposals of companies consists of the cash and cash equivalents received until December 31, 2014 net of the cash and cash equivalents held by the sold companies on the disposal date.

II. Basis of presentation and accounting policies (Continued)

The assets acquired and liabilities assumed from intratech GmbH (ITT) and Deutsche Multiauskunftei GmbH (DMA) break down as follows:

Assets acquired and liabilities assumed

in €k	Acquisition-date fair value ITT	Acquisition-date fair value DMA
Assets		
Property, plant and equipment	25	0
Intangible assets	3 081	490
Inventories	70	0
Receivables and other financial assets	307	2
Cash and cash equivalents	96	18
	3 578	**511**
Liabilities		
Non-current financial liabilities	437	0
Deferred tax liabilities	662	109
Other liabilities	763	2
	1 862	**111**
Total identifiable net assets at fair value	**1 717**	**400**
Goodwill arising on acquisition	502	0
Non-controlling interests	837	0
Total consideration	**1 381**	**400**

In the first half of 2014, the consolidated financial statements do not include any proceeds or profits or losses of intratech GmbH (date of first-time consolidation is June 30, 2014). Proceeds or profits or losses of Deutsche Multiauskunftei GmbH are only included from the date of first-time consolidation (October 27, 2014). No information is provided on proceeds or profits or losses from January 1, 2014 because financial statements for intratech GmbH and Deutsche Multiauskunftei GmbH have only been prepared in accordance with GFKL's accounting policies since GFKL obtained control of the entities.

From June 30, 2014, consolidated profit/loss for the period includes revenue of intratech GmbH of €1.7 million and earnings of −€0.1 million.

From the date of first-time consolidation of Deutsche Multiauskunftei GmbH consolidated profit/loss for the period includes revenue of €53k and earnings of −€6k.

b) Principles of consolidation

The separate financial statements for all the companies included in the consolidated financial statements are prepared to the balance sheet date of the consolidated financial statements. Uniform accounting policies are applied to all these financial statements.

The acquisition of subsidiaries consolidated up to 2003 was accounted for in accordance with IAS 22. Subsidiaries acquired after March 31, 2004 were accounted for in accordance with IFRS 3 and IFRS 3 (2008) on the basis of the fair value of the acquired identifiable assets and liabilities. On first-time consolidation in each case, the carrying amount of GFKL Financial Services Aktiengesellschaft's investment was offset against its share of equity in the subsidiary concerned. Intragroup receivables and liabilities between fully consolidated companies are netted, any residual differences being consolidated to the extent required. In the consolidation of income and expense, internal revenue and intragroup income and expense is eliminated, as is any intragroup profit or loss arising from transactions between

II. Basis of presentation and accounting policies (Continued)

consolidated companies. Deferred taxes had to be recognized as a result of the use of uniform group accounting policies, the consolidation of intercompany balances and the elimination of intercompany profits and losses; these items were grouped together with the deferred taxes from the separate financial statements.

9. Business risks and capital management

a) Business risks

The business risks in the GFKL Group are described in the risk report. For further information, please refer to the details in the management report, which includes disclosures in accordance with IFRS 7.31-42 and further disclosures as part of the description of the risk management system.

b) Capital management

The objective of capital management is to ensure that the GFKL Group has an equity capital base appropriate to the risk structure of the business. This is a precondition that must be satisfied if GFKL is to have sufficient access to funds on money and capital markets at all times. The GFKL Group is not subject to regulatory capital requirements. However, the Risk Control department reviews economic capital adequacy internally on a continuous basis. For the purposes of capital management, the loans from Carl Holding GmbH are managed in the same way as equity. The loans amounted to €57.4 million as of December 31, 2014.

Any emerging capital requirement is identified at an early stage; appropriate corporate action is then decided and implemented.

GFKL AG does not make use of preferred shares.

III. Balance sheet disclosures

1. Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2014	9 263	0
Additions from business combinations	25	0
Additions	2 329	44
Reclassifications	44	– 44
Disposals	2 729	0
Balance as of December 31, 2014	**8 933**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2014	6 909	0
Additions	831	0
Disposals	2 607	0
Balance as of December 31, 2014	**5 133**	**0**
Residual carrying amounts as of December 31, 2014	**3 799**	**0**

III. Balance sheet disclosures (Continued)

In the prior year, changes were as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2013	10 734	0
Reclassification to non-current assets classified as held for sale	2 061	0
Additions	996	206
Reclassifications	206	−206
Disposals	612	0
Balance as of December 31, 2013	**9 263**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2013	8 139	0
Reclassification to non-current assets classified as held for sale	1 814	0
Additions	932	0
Write-down due to impairment test	179	0
Disposals	527	0
Balance as of December 31, 2013	**6 909**	**0**
Residual carrying amounts as of December 31, 2013	**2 354**	**0**

Office furniture and equipment was acquired at a cost of €661k (prior year: €328k) in the current fiscal year in connection with a project to install an emergency computer center at the location in Essen. In addition, the move to the new service center in Gelsenkirchen necessitated the purchase of new office furniture and equipment. The related cost was €50k (prior year: €286k). Leasehold improvements were made in Gelsenkirchen as part of the relocation. The related cost was €53k (prior year: €109k).

As part of the relocation of GFKL's Essen operations, new office furniture and equipment was acquired at a cost of €1.1 million and leasehold improvements were made at a cost of €0.2 million. In addition, in preparation for the move, the company scrapped office furniture and equipment that cost €1.9 million and leasehold improvements that cost €0.8 million. At the time of scrapping, the assets in question had been largely written off.

Depreciation is recognized on a straight-line basis over the useful lives of the assets, which is 3 to 15 years for other office furniture and equipment.

Additions from business combinations relate to other office furniture and equipment of intratech GmbH.

III. Balance sheet disclosures (Continued)

2. Intangible assets

Intangible assets developed as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2014	18 910	3 984	11 319	153
Additions from business combinations	2 393	0	1 178	0
Additions	699	395	0	1 457
Reclassifications	66	40	0	– 107
Disposals	383	0	0	0
Balance as of December 31, 2014	**21 685**	**4 419**	**12 497**	**1 504**
Accumulated amortization and impairment losses				
Balance as of January 1, 2014	12 035	3 984	2 192	0
Additions	1 429	57	1 520	0
Disposals	379	0	0	0
Balance as of December 31, 2014	**13 085**	**4 041**	**3 712**	**0**
Residual carrying amounts as of' December 31, 2014	**8 600**	**378**	**8 785**	**1 504**

In the prior year, changes were as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2013	19 207	3 984	14 569	85
Reclassification to non-current assets classified as held for sale	697	0	3 250	0
Additions	131	0	0	826
Reclassifications	758	0	0	– 758
Disposals	489	0	0	0
Balance as of December 31, 2013	**18 910**	**3 984**	**11 319**	**153**
Accumulated amortization and impairment losses				
Balance as of January 1, 2013	11 642	3 984	3 144	0
Reclassification to non-current assets classified as held for sale	578	0	2 514	0
Additions	1 450	0	1 561	0
Disposals	479	0	0	0
Balance as of December 31, 2013	**12 035**	**3 984**	**2 192**	**0**
Residual carrying amounts as of December 31, 2013	**6 875**	**0**	**9 127**	**153**

Software is amortized on a straight-line basis over its estimated useful life or remaining useful life, which may be a period of between 3 and 10 years.

In the current fiscal year, IT software was acquired at a cost of €0.7 million. This software is mostly software to optimize GFKL's internal processes and procedures. By contrast, licenses costing €0.4 million that were no longer required were returned.

III. Balance sheet disclosures (Continued)

In addition, a subsidiary of GFKL AG developed its own software to expand the system landscape for upstream credit checks on customers. Moreover, internally developed software was acquired in the acquisition of intratech GmbH and Deutsche Multiauskunftei GmbH. Deutsche Multiauskunftei GmbH's internally developed software routes queries from customer systems in real time to the desired external data sources, standardizes the different information codes used by the credit agencies (e.g., in relation to credit information) and forwards this information as well as the raw data from the data sources used back to the customer system. In addition, customers of Deutsche Multiauskunftei GmbH have the option to have specific rules stored in the entity's system in order to take external data sources into account in their credit risk processes, e.g., in the form of a query cascade. The cost of this internally developed software comes to €0.5 million. intratech GmbH's internally developed software forms the basis of its entire business operations and allows for the placement of auxiliary business involving hardware installations and office administration, which is now increasingly becoming the focus of attention. Since the entity's formation, various modules tailored in particular to the needs of the fitness sector have been developed. The cost of this internally developed software comes to €1.9 million.

Additions to advance payments largely comprise IT software to optimize GFKL's internal processes and procedures.

In addition, contractual and non-contractual customer relationships at a cost of €1.2 million were allocated upon the purchase of intratech GmbH.

The customer relationships allocated to GFKL Collections GmbH upon its acquisition in 2012 are being amortized over a useful life of 8.5 years. Apart from goodwill, there are no intangible assets with indefinite useful lives. The contractual and non-contractual customer relationships acquired upon purchase of intratech GmbH are being amortized over a useful life of 10 years.

3. Goodwill

This balance sheet item comprises goodwill in the cash-generating units. The reconciliation of the carrying amounts of goodwill at the beginning and end of the reporting period as well as the distribution over the cash-generating units is presented below.

in €k	Goodwill
Cost	
Balance as of January 1, 2013	39 838
Reclassification to non-current assets classified as held for sale	15 586
Balance as of December 31, 2013	**24 252**
Acquisition of subsidiaries	502
Balance as of December 31, 2014	**24 754**
Write-downs and impairment losses	
Balance as of January 1, 2013	4 210
Reclassification to non-current assets classified as held for sale	3 481
Balance as of December 31, 2013	**729**
Impairment losses	2 440
Balance as of December 31, 2014	**3 169**
Carrying amounts as of December 31, 2013	**23 523**
Carrying amounts as of December 31, 2014	**21 585**

III. Balance sheet disclosures (Continued)

in €k	Dec. 31, 2014	Dec. 31, 2013
Zyklop Inkasso Deutschland GmbH	10 102	12 542
GFKL Collections GmbH	4 253	4 253
Domnowski Inkasso GmbH	3 410	3 410
Proceed Collection Services GmbH	3 318	3 318
intratech GmbH	502	0
Total	**21 585**	**23 523**

Please refer to section III.12. (Disclosures on discontinued operations) with respect to the "Reclassifications to non-current assets held for sale" and the development of the goodwill of the Multigestión Group.

There was no allocation of goodwill to groups of cash-generating units.

An impairment test must be carried out at least once a year to verify that the carrying amount of goodwill is recoverable. Impairment tests were carried out on December 31, 2014 for those cash- generating units that included goodwill and the goodwill was measured at the recoverable amount.

Since there was no active market for any of the cash-generating units, the recoverable amount was determined on the basis of value in use calculated using a discounted cash flow analysis (DCF). The cash flows used in the analysis for the calculation of the value in use were derived from a five-year financial plan for the GFKL Group based on IFRS requirements. At the receivables management companies, the planned cash flows were taken from the performance of the managed portfolios recognized in the financial statements as well as from future planned portfolios. The discount rate for the detailed planning period was determined using the weighted average cost of capital (WACC) and, before tax, amounts to some 11.5% (prior year: 13.8%) for the receivables management segment in Germany. The weighted average cost of capital is a composite rate derived from the weighted cost of equity and debt; it reflects the average cost of capital in a company taking into account the company's financing structure. A standard growth discount of 0.7% (prior year: 0.7%) on the discount rate after tax was applied in determining the discount rate for the subsequent period. The carrying amount of the cash-generating units (including goodwill) in the GFKL Group amounted to a total of €39.3 million (prior year: €37.4 million), whereas the corresponding recoverable amount was €167.8 million (prior year: €46.7 million).

An impairment loss of €2.4 million was recognized on the goodwill of ZYKLOP INKASSO DEUTSCHLAND GmbH. Negative developments in financial planning or the discount rate would lead to a further reduction in goodwill.

Cash flow planning is primarily driven by a significant increase in revenue coupled with fixed costs growing at a lower rate or remaining constant in some areas. The Executive Board sees particular growth potential for receivables management services in the areas of telecommunications, energy supply and public sector, with the outsourcing efforts on the part of customers in particular also offering growing potential. Significant growth is also expected in e-commerce in subsequent years. The reduction of relative costs is based on the further optimization of operational processes as well as the synergy effects resulting from the centralization of service functions in the company in 2014.

In fiscal year 2013, the entire amount of the remaining goodwill of €12.1 million attributable to the Multigestión Group was written off. These impairment losses are presented under discontinued operations.

III. Balance sheet disclosures (Continued)

4. Non-performing loans and receivables acquired for settlement

The following table shows the total of current and non-current non-performing loans and receivables acquired for settlement:

in €k	Dec. 31, 2014	Dec. 31, 2013
Secured, terminated loans	4 033	3 860
Unsecured, terminated loans	34 961	31 020
Unsecured, overdue other receivables	63 820	65 812
Total	**102 814**	**100 692**

For 2014, non-performing loans and receivables acquired for settlement broken down by residual maturity were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	43 356	51 920	7 538	102 814

For the prior year, residual maturities were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	41 011	51 455	8 226	100 692

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	2014	2013
Opening balance	100 692	116 771
Reclassification to assets classified as held for sale	0	4 103
Acquisitions	27 774	26 064
Disposals	1 725	6 030
Subtotal	**126 740**	**132 702**
Payment receipts	90 010	85 884
Investment income	13 054	13 434
Service income	33 825	32 968
Repayment	**43 131**	**39 481**
Write-ups	27 018	26 343
Impairment expense	− 7 813	− 18 872
Measurement at fair value	**19 205**	**7 471**
Closing balance	**102 814**	**100 692**

In the current fiscal year, GFKL generated income of €67.6 million (prior year: €53.9 million) from the non-performing loans and receivables acquired for settlement.

III. Balance sheet disclosures (Continued)

The disposals are attributable to the return of receivables that did not meet the contractually agreed requirements.

Measurement at fair value is set out in detail below:

in €k	2014	2013
Additional amounts collected	8 104	10 048
Correction of direct write-downs	43	0
Plan adjustments	17 005	14 036
Changes in market interest rates	1 865	2 259
Write-ups	**27 018**	**26 343**
Shortfall in amounts collected	−1 585	−2 615
Direct write-downs	−639	0
Plan adjustments	−4 112	−11 902
Service cost adjustments	−472	−220
Changes in market interest rates	−1 005	−4 136
Impairment expense	**−7 813**	**−18 872**
Total changes in value	**19 205**	**7 471**

The items ''Additional amounts collected'' and ''Shortfall in amounts collected'' show deviations between actual payment receipts and planned payment receipts. For changes made in relation to future expected payment receipts, the adjustments are reported under ''Plan adjustments.''

The ''Changes in market interest rates'' item relates to changes in value attributable to interest rates. Unrealized gains and losses relate to changes from plan adjustments and changes in market interest rates.

Scenario calculations simulate the effects of changes in the input factors used to determine the fair value of the NPL portfolio investments. There are three input factors, the sensitivity of which is shown in the table below. If there is a shift in the term structure of interest rates, an interest rate of less than zero is not taken into account.

Please refer to section II.6. (Significant accounting judgments).

Input factor	Change	Simulated change in value
Cash flow	+/− 10%	+/− €9.85 million
Cost rate	+/− 5%	−/+ €7.83 million
Term structure	+1%	− €2.34 million
Term structure	− 1%	+ €0.90 million

5. Derivatives with positive and negative fair values

As of the balance sheet date, interest rate swaps with a total negative fair value of €1.9 million (prior year: €2.0 million) were held. There were still no interest rate swaps with positive fair values. The purpose of the swaps was to hedge changes in the value of NPL portfolios caused by changes in interest rates and to provide refinancing. These interest rate derivatives were not designated as hedges for hedge accounting purposes because changes in the fair value of the derivatives offset changes in the fair value of the NPL portfolios caused by interest rate changes.

There are derivatives which in terms of value and maturity hedge over half the nominal value of the newly concluded facility A. They were not designated as hedges for hedge accounting purposes (IAS 39).

The residual maturity was determined on the basis of the residual maturities of the derivatives.

III. Balance sheet disclosures (Continued)

6. Other financial assets

Financial assets break down as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Miscellaneous non-current financial assets	8 392	78
Total other non-current financial assets	**8 392**	**78**
Cash reserve	38	39
Miscellaneous financial assets	12 860	12 593
Total other current financial assets	**12 897**	**12 632**
Total	**21 290**	**12 710**

The miscellaneous financial assets mainly relate to guarantee claims for which the GFKL Group makes advance payment and which are settled through the servicing of the receivables.

7. Deferred tax assets and liabilities

The deferred tax assets in the balance sheet largely arose from the measurement of tax loss carryforwards. Deferred tax assets whose recoverability was not already guaranteed by the availability of deferred tax liabilities of the same amount were measured using a forecasting process. Overall, loss carryforwards were measured, and related deferred tax assets of €8.0 million (prior year: €12.2 million) were then recognized. The losses relate to GFKL Financial Services Aktiengesellschaft, Essen. No losses from the period prior to the change in shareholders in December 2009 were recognized as deferred tax assets.

The deferred tax liabilities are chiefly due to the valuation of NPL portfolios.

The following table shows the main accounting areas for which deferred taxes arise from temporary differences:

in €k	Dec. 31, 2014	Dec. 31, 2013
NPL measurement	−16 972	−17 286
Derivatives	590	653
Intangible assets	−3 602	−2 812
Provisions	1 832	1 200
Trade receivables/payables	513	1 794
Elimination of intercompany balances	−1 116	−1 244
Loss carryforwards	7 996	12 174
Other	55	428
Balance of deferred taxes	**−10 704**	**−5 093**

III. Balance sheet disclosures (Continued)

The table below shows the changes in deferred taxes:

in €k	2014	2013
Deferred tax assets	0	516
Deferred tax liabilities	−5 093	−4 809
Opening balance	**−5 093**	**−4 293**
Reclassification to assets classified as held for sale and liabilities classified as held for sale	0	−516
Change in equity	710	−67
Addition from business acquisitions	−771	0
Change arising from current results	−5 551	217
Change in the period	**−5 611**	**−800**
Deferred tax assets	0	0
Deferred tax liabilities	−10 704	−5 093
Closing balance	**−10 704**	**−5 093**

For further information, please refer to the disclosures under section IV.9. (Income taxes).

8. Inventories

Inventories mainly relate to IT hardware and access systems for customers of intratech GmbH.

9. Trade and other receivables

The item mainly relates to receivables from customers for services.

in €k	Dec. 31, 2014	Dec. 31, 2013
Expenses from the collection process	2 341	2 348
Refund claims from other taxes	1 528	2 454
Prepaid expenses and other items	1 338	1 300
Trade receivables	5 741	6 283
Specific valuation allowances on receivables	−187	−2 250
Total	**10 761**	**10 136**

Valuation allowances are recognized on a case-by-case basis on separate valuation allowance accounts. Uncollectible receivables are directly written off and thereby derecognized, taking into account valuation allowances previously recognized. The decrease in valuation allowances is mainly attributable to the sale of SBL Mobilien GmbH.

10. Income tax refund claims

The income tax refund claims mainly relate to the retrospective recognition of the tax group for Proceed Portfolio Services GmbH, Essen, for the years 2004 to 2006.

11. Cash and cash equivalents

Cash and cash equivalents primarily comprise credit balances on current accounts and short-term deposits. The balance (> €5.0 million) on the cash pool master account bears interest on the basis of EONIA. This account had a balance of €3.0 million as of the balance sheet date. Balances on other accounts, which do not bear interest, came to €8.3 million. Of these cash and cash equivalents,

III. Balance sheet disclosures (Continued)

€24.4 million (prior year: €19.8 million) are earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts.

12. Disclosures on discontinued operations

Assets and liabilities related to discontinued operations are recognized in the items ''Assets classified as held for sale'' and ''Liabilities classified as held for sale'' and comprised the assets and liabilities of the Spanish operations held for sale as of December 31, 2013. This segment comprised the following entities held for sale: Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

The following table shows the breakdown of assets classified as held for sale:

in €k	Dec. 31, 2013
Property, plant and equipment	221
Intangible assets	806
Non-performing loans and receivables acquired for settlement	3 911
Trade and other receivables	2 734
Other financial assets	417
Deferred tax assets	1 483
Cash and cash equivalents	1 861
Assets classified as held for sale	**11 433**

Liabilities classified as held for sale broke down as follows:

in €k	Dec. 31, 2013
Liabilities to banks	13
Other provisions	238
Deferred tax liabilities	380
Trade payables and other liabilities	1 415
Other financial liabilities	2 604
Liabilities classified as held for sale	**4 650**

In the fiscal year, the Spanish business segment classified as held for sale was sold.

Please refer to section IV.10. for more information on discontinued operations.

13. Share capital

As of the balance sheet date, share capital amounted to €25,883,790.00. It is divided into 25,883,790 no-par value bearer shares.

14. Capital reserves

The objective of the regulations governing statutory reserves and capital reserves is to ensure that capital is preserved and thus to protect creditors by creating restricted assets above and beyond the assets required to cover share capital. These restricted assets may be used to offset losses without affecting the assets covering share capital. The assets are restricted in the sense that the relevant amounts cannot be made available for dividend distributions. In fiscal year 2010, the acquisition of shares in the Spanish companies achieved in stages by capital increase led to €91k being withdrawn

III. Balance sheet disclosures (Continued)

from the capital reserves. This withdrawal was included in the deconsolidation carried out in the fiscal year.

The changes in capital reserves can be seen in the consolidated statement of changes in equity.

15. Hybrid capital

On June 28, 2012, a second loan agreement for a loan of €30,000,000.00 was concluded between GFKL Financial Services Aktiengesellschaft, Essen, as borrower and Carl Holding GmbH as lender. The loan has no fixed maturity date. However, GFKL adjusted the earliest possible repayment date to March 16, 2019 in connection with the new refinancing arrangement. The loan bears interest of 8% up to and including March 16, 2019 and is reported as equity due to the terms of the loan agreement.

16. Treasury shares

The shareholder meeting held on June 22, 2005 approved the merger of ABIT AG, Meerbusch, into GFKL Financial Services Aktiengesellschaft. The merger agreement between ABIT AG and GFKL Financial Services Aktiengesellschaft gave the former shareholders of ABIT AG, who became shareholders of GFKL Financial Services Aktiengesellschaft as a result of the merger with GFKL Financial Services Aktiengesellschaft, the right to offer their newly acquired GFKL Financial Services Aktiengesellschaft shares for sale to GFKL at a price of €13.93 per share. The merger came into effect upon entry in the commercial register of GFKL Financial Services Aktiengesellschaft on August 16, 2006. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft had repurchased a total of 917,471 shares, which corresponds to a share of €917,471 (3.54%) of the share capital. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft held these shares as treasury shares. The shareholder meeting held on August 15, 2012 resolved to authorize the purchase of treasury shares pursuant to Sec. 71 (1) No. 8 AktG [''Aktiengesetz'': German Stock Corporation Act].

Those shares not yet tendered are also disclosed under ''Treasury shares'' as a result of the cash settlement offer. This disclosure is accompanied by the recognition of the as yet untendered shares as debt (synthetic liability). Please refer to section III.23. (Other financial liabilities).

17. Retained earnings

Retained earnings relate to the statutory reserve of €38k (prior year: €38k) and profit participation capital of €26k (prior year: €26k). In the prior year, the item included the retained earnings of €33k which were created by the acquisition of the minority interests in Multigestión Portfolio S.L. and were included in the deconsolidation in the fiscal year.

18. Valuation reserves

In the fiscal year, this item included the valuation reserve for actuarial gains and losses. Please see section III.25. (Provisions for pensions) for further information.

19. Non-controlling interests

Non-controlling interests relate to the minority interests in intratech GmbH. In the prior year, the item related to minority interests in Universal Lease Iberia Properties S.L., which was liquidated in fiscal year 2014.

20. Conditional capital

The company had no conditional capital at its disposal as of the balance sheet date.

III. Balance sheet disclosures (Continued)

21. Authorized capital

The shareholder meeting held on July 14, 2010 authorized the Executive Board, subject to the consent of the Supervisory Board, to increase the share capital of the company by issuing up to 12,941,895 no-par value bearer shares for cash and/or non-cash contributions on one or more occasions up to July 13, 2015, subject to maximum total increase of €12,941,895.00. Existing shareholders are to be granted subscription rights. However, subject to the consent of the Supervisory Board, the Executive Board was authorized to exclude fractional amounts from the shareholders' subscription rights. The Executive Board is also authorized, subject to the consent of the Supervisory Board, to exclude these subscription rights if the capital increase is performed in return for non-cash contributions, in particular during the acquisition of entities, parts of entities, investments in entities or other assets including rights and receivables or as part of a business combination.

22. Liabilities to banks

The following table sets out the principal non-current and current liabilities to banks:

in €k Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2014	Dec. 31, 2013
Commerzbank, ING, NIBC	Syndicated credit facility	Sep. 16, 2018	EURIBOR various	71 870	0
BayernLB	Syndicated credit facility	Sep. 30, 2014	EURIBOR various	0	100 008
Total non-current liabilities to banks				**71 870**	**100 008**

in €k Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2014	Dec. 31, 2013
Commerzbank, ING, NIBC	Syndicated credit facility	Sep. 16, 2018	EURIBOR various	7 540	0
BayernLB	Syndicated credit facility	Sep. 30, 2014	EURIBOR various	0	10 042
Total current liabilities to banks				**7 540**	**10 042**

The arrangement fees that related to the repayment of the old credit facility and the conclusion of the new syndicated loan and that fell due in connection with the syndicated credit facility at the beginning of the term were deducted from the loan amount in accordance with IAS 39. Using the effective interest method, the arrangement fees of €2.6 million are added back to the loan over its term, with the expense recognized in profit or loss.

GFKL's liabilities to banks are secured by senior notarized pledges of shares/limited partnership interests in the following entities:

- GFKL Financial Services Aktiengesellschaft, Essen
- INKASSO BECKER WUPPERTAL GmbH & Co. KG (including pledge of the shares in IBW Verwaltungs- und Beteiligungs GmbH), Wuppertal
- Proceed Collection Services GmbH, Essen
- Sirius Inkasso GmbH, Düsseldorf
- GFKL Collections GmbH, Potsdam

III. Balance sheet disclosures (Continued)

23. Other financial liabilities

Other financial liabilities break down as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Liabilities arising from NPL portfolios	2 891	5 656
Liabilities to affiliates	20 686	20 055
Pass-through obligations arising from portfolio management	5 121	1 861
Other	3 971	3 205
Total non-current	**32 669**	**30 777**
Liabilities arising from NPL portfolios	10 128	9 851
Pass-through obligations arising from portfolio management	11 029	12 411
Employee-related liabilities	3 189	2 746
Liabilities arising from the cash settlement offer	7 307	7 104
Deferred income and other items	10 804	9 343
Total current	**42 457**	**41 456**
Total	**75 126**	**72 233**

The item liabilities arising from NPL portfolios relates to sold but not derecognized NPL exposures.

The non-current liabilities to affiliates relate to a loan from Carl Holding GmbH.

Pass-through obligations arising from portfolio management comprise payments received from debtors to be forwarded to customers. The increase in non-current pass-through obligations is attributable to the purchase by GFKL of the receivables contained in a service agreement.

The following table shows the principal liabilities of the Group as of December 31, 2014, by maturity:

in €k	Less than 1 year	Residual maturity 1 to 5 years	More than 5 years	Total
Liabilities to banks	7 541	71 870	0	79 411
Other financial liabilities.	42 457	32 669	0	75 126
Trade payables and other liabilities	9 545	0	0	9 545
Total	**59 543**	**104 539**	**0**	**164 082**

III. Balance sheet disclosures (Continued)

24. Provisions

in €k	Other taxes	Interest (incidental tax expenses)	Warranties	Restructuring	Archiving	Other	Total
Opening balance	15 187	3 953	855	1 519	606	3 006	25 125
Reclassification	0	0	0	0	0	0	0
Allocation	26	1 643	2	657	4	598	2 929
Utilization	258	53	0	1 519	0	1 264	3 094
Reversal	10 720	410	270	0	236	847	12 483
Disposals from the sale of companies	129	57	0	0	17	0	202
Additions from business combinations	0	0	36	0	12	0	48
Closing balance	**4 106**	**5 076**	**623**	**657**	**368**	**1 493**	**12 323**
Current	4 106	5 076	623	657	66	1 154	11 682
Non-current	0	0	0	0	302	340	642
Closing balance	**4 106**	**5 076**	**623**	**657**	**368**	**1 493**	**12 323**

The item ''Other taxes'' mainly relates to provisions for VAT backpayments in connection with the purchase of distressed receivables and VAT backpayments due to the ongoing tax audit of €0.3 million (prior year: €0.6 million). By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG for the input transactions related to the acquisition and collection of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, an interpretative letter from the Federal Ministry of Finance is expected in the first half of 2015, containing a transitional arrangement for the application of the UStAE (part 2.4 UStAE) that is still in effect. The company recognized a provision of €7.3 million (prior year: €14.5 million, assuming that there will be no input VAT deduction) for VAT not paid in connection with purchases of exposures in the past.

Based on the aforementioned court rulings, the company reduced the input VAT deductions by a flat 30% in consultation with the tax authorities in 2012. These amounts were taken into account again during the preparation of the tax returns. The resulting claim of €3.4 million was offset against the aforementioned provision for the first time in 2014. As a result, the provision amounts to a total of €3.9 million plus €2.7 million in interest (prior year: €2.2 million in interest).

In addition to the abovementioned interest on VAT of €2.7 million, the provisioned interest for incidental tax expenses included other additional interest expenses for tax audits and income taxes of €0.2 million and €2.2 million, respectively.

The relief effects previously taken into account for income tax provisions of €2.4 million were released to profit or loss (see also section III.27. (Income tax provisions)).

As the tax authorities have still not made a final decision with regard to the above matter, this amount may change to the benefit or detriment of the company.

In addition, provisions for restructuring and provisions for archiving are recognized. The provisions are recognized in the amount of the expected obligation. They take into account all identifiable risks related

III. Balance sheet disclosures (Continued)

to obligations of uncertain amount. Warranty provisions are mainly attributable to GFKL Financial Services Aktiengesellschaft. They were recognized partly for possible purchase price adjustments as a result of tax guarantees for sold subsidiaries. As they were no longer expected to be used, provisions of €270k were reversed in the reporting year.

€1.5 million of the provision recognized for the centralization of the companies' file archives in 2013 and for the severance of employees and Executive Board members was used in the reporting year. €0.7 million thereof related to the transfer of the outstanding potential liabilities from GFKL Financial Services Aktiengesellschaft, Essen, to the newly formed GFKL Service Center GmbH. In addition, severance payments of €0.2 million were made to departing employees.

The provisions for archiving costs arose because of the legal obligation to archive business documents for up to 20 years. The changes in other provisions over the fiscal year are shown in the following table. Changes in the discount rate resulted in a reversal of €0.2 million in the reporting period.

The ''Other'' item mainly comprises an allocation in connection with the acquisition of intratech GmbH by INKASSO BECKER WUPPERTAL GmbH & Co. KG and for potential payments under an existing lease. The utilization related in particular to expenses of €0.4 million incurred in connection with the sale of the Multigestión Group and expenses of €0.6 million for an onerous contract. €0.6 million of the provision for the onerous contract and €0.1 million of the provision for the sale of the Multigestión Group were reversed to profit and loss.

Disposals from the sale of companies relate to the accounts of the sold SBL Mobilien GmbH. The provisions of GFKL Service Center GmbH, intratech GmbH and Deutsche Multiauskunftei GmbH are recognized under additions from business combinations on the date of first-time consolidation in the GFKL Group.

25. Provisions for pensions

GFKL has defined benefit pension obligations. Pension obligations—were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 2.03% and 2.2% (prior year: 3.13% and 3.7%), depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19.67-74. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated at 1.5% (prior year: 1.5% to 2.5%), salary increases in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%), and the employee turnover rate in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%). The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005 G Heubeck mortality tables.

The pension plan for one of the former members of the Executive Board of GFKL Financial Services Aktiengesellschaft includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognized provisions for pensions -for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

III. Balance sheet disclosures (Continued)

The net liability is calculated as follows:

in €k	2014	2013	2012
Present value of unfunded defined benefit obligation	8 480	7 600	7 230
Plan assets	−3 189	−3 036	−2 843
Net liability	**5 291**	**4 564**	**4 386**

The following table shows the changes in the defined benefit obligation:

in €k	2014	2013
Opening balance of defined benefit obligation	7 600	7 230
Interest expense	262	253
Pension payments	−151	−151
Current service cost	66	66
Actuarial losses	2 189	202
Change in basis of consolidation	−1 485	0
Closing balance of defined benefit obligation	**8 480**	**7 600**

The plan assets offset against the defined benefit obligation are measured at fair value. The changes in plan assets were as follows:

in €k	2014	2013
Opening balance of plan assets	**3 036**	**2 843**
Net interest income	111	107
Actuarial gains/losses (−)	−85	−188
Contributions	127	141
Balance-dependent reclassification	0	132
Closing balance of plan assets	**3 189**	**3 036**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by GFKL. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €127k (prior year: €111k).

Disclosed provisions for pensions developed as follows in the fiscal year:

in €k	2014	2013
Opening balance	**4 564**	**4 386**
Payments arising from pension obligations	−151	−151
Allocation to defined benefit obligation	218	211
Allocation to plan assets	−127	−141
Actuarial gains (−)/losses	2 273	390
Balance-dependent reclassification	0	−132
Change in basis of consolidation	−1 485	0
Closing balance	**5 291**	**4 564**

For further disclosures regarding changes to the provisions for pensions recognized in profit or loss, please refer to section IV.4. (Personnel expenses and number of employees).

III. Balance sheet disclosures (Continued)

A quantitative sensitivity analysis of the key assumptions as of December 31, 2014 is as shown below:

in €k	Dec. 31, 2014	Dec. 31, 2013
Interest rate		
Increase 0.2% (prior year: 0.5%)	−357	−646
Decrease 0.2% (prior year: 0.5%)	342	710
Salary trend		
Increase 0.5%	116	91
Decrease 0.5%	−107	−86
Benefit trend		
Increase 0.5% (prior year: 1%)	646	1 181
Decrease 0.5% (prior year: 1%)	−577	−1 020

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realized changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

in €k	Dec. 31, 2014	Dec. 31, 2013
Within the next 12 months (next fiscal year)	83	153
Between 2 and 5 years	798	940
Between 5 and 10 years	1 334	1 671
More than 10 years	14 650	16 368
Total expected payments	**16 865**	**19 132**

The average duration of the defined benefit obligation at the end of the reporting period is 21 years.

26. Trade payables and other liabilities

This item comprises liabilities from other taxes, which include liabilities from wage and church taxes as well as social security and VAT liabilities. Advance payments received mainly relate to prepayments by customers for the collection process.

in €k	Dec. 31, 2014	Dec. 31, 2013
Liabilities from other taxes	1 967	1 700
Trade payables	3 506	2 735
Advance payments received	2 715	2 854
Deferred income and other items	1 357	1 219
Total	**9 545**	**8 509**

Income tax provisionsThe income tax provisions relate to provisions for corporate income tax and solidarity surcharge totaling €7.0 million (prior year: €4.8 million), trade tax of €7.5 million (prior year: €5.4 million) and provisions for the tax audit of €3.1 million (prior year: €4.0 million).

The increase in income tax provisions for corporate income tax, solidarity surcharge and trade tax is mainly due to the elimination (and recognition in profit or loss) of income tax relief effects from the recognition of VAT on NPL purchases.

IV. Income statement disclosures

1. Revenue

Revenue breaks down as follows:

in €k	2014	2013
Fees from the collection process	132 225	94 487
Cost refunds from the collection process	42 271	34 527
Revenue from acquired portfolios	67 555	61 365
Services and programming revenue	1 312	0
Maintenance revenue and royalties	394	0
Other	82	17
Total	**243 839**	**190 396**

Revenue is derived primarily from portfolio-related and performance-based fees for the management of receivables, the settlement of non-performing loans and receivables, realized surpluses on purchased overdue receivables that are supported by an enforcement judgment, and from the reimbursement of costs. The expenses incurred in connection with this revenue primarily relate to personnel expenses and other operating expenses, which are particularly shaped by reimbursed costs. In addition, the revenue from acquired portfolios represents the recognition of revenue from non-performing loans and receivables acquired for settlement. GFKL bears the entire risk of holding these portfolios. The recognized revenue reflects the change in the fair value of the recognized assets. The underlying measurement model is based on standard market terms and conditions.

Services and programming revenue as well as maintenance revenue and royalties relate to intratech GmbH which was acquired in fiscal year 2014.

2. Other operating income

Other operating income includes revenue from cost allocations, reversals of specific valuation allowances that were recognized in prior years and were no longer required as well as income from exchange differences. For more information on the reversal of provisions and accrued liabilities, please see section III.24. (Provisions).

Other operating income breaks down as follows:

in €k	2014	2013
Reversal of provisions and accrued liabilities	12 483	4 070
Income from the reversal of valuation allowances on receivables	817	936
Income from cost allocations and receipt of various fees	2	0
Income from exchange differences	2	4
Income from the disposal of non-current assets	6	15
Purchase price adjustments	0	3 804
Other income	2 746	2 239
Total	**16 055**	**11 069**

Please see section III.24. (Provisions) for further information regarding the reversal of provisions.

3. Cost of purchased goods and services

Cost of purchased goods and services is largely attributable to the acquisition of hardware and access systems at intratech GmbH.

IV. Income statement disclosures (Continued)

4. Personnel expenses and number of employees

The following summary shows the change in the number of employees (full-time equivalents—FTEs), broken down by segment:

	2014	2013
Receivables management	698	709
Holding company	103	113
Continuing operations	**801**	**822**
Discontinued operations	0	196
Employees	**801**	**1 018**
thereof employees in Germany	*801*	*822*
Average number of employees	**806**	**1 033**

The average number of employees is determined on the basis of a monthly analysis. The employees in discontinued operations were those of the Spanish companies Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

Long-service bonus commitments have been made to some of the employees in the GFKL Group. The provision (€322k; prior year: €317k) was recognized based on the length of service to date, the current employee turnover rate, and a market-based discount rate.

For information on the severance of employees and Executive Board members, please see section III.24. (Provisions).

The following amounts were recognized in the income statement in respect of pensions obligations:

in €k	2014	2013
Current service cost	66	66
Interest income	−111	−107
Interest expense	262	253
Total	**218**	**211**

In addition to the expenses for pensions obligations, personnel expenses include employer contributions to the statutory pension insurance scheme in Germany. The German pension insurance scheme is classified as a defined contribution plan. The contributions paid amount to €2 927k (prior year: €2 878k).

Please see section III.25. (Provisions for pensions) for further information.

5. Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expense relates to the depreciation and impairment of property, plant and equipment and the amortization and impairment of intangible assets. Please refer to the information under sections III.1. (Property, plant and equipment), III.2. (Intangible assets) and III.3 (Goodwill).

IV. Income statement disclosures (Continued)

6. Other operating expenses

Other operating expenses break down as follows:

in €k	2014	2013
Costs of the collection process	139 638	102 639
Valuation allowances and write-downs on receivables	1 322	1 475
Valuation allowances and write-downs on financial assets	20	0
General and administrative expenses, contributions and rent	12 815	13 072
Personnel recruitment and freelancers	4 695	4 566
Consulting and auditing fees	3 089	4 225
Expense from the measurement of NPL receivables	286	6 560
Other taxes	137	0
Commissions, incidental refinancing costs	282	66
Expenses arising from the disposal of assets	118	2
Other operating expenses	1 377	1 965
Total	**163 779**	**134 570**

Costs of the collection process relate in particular to legal, court and dunning expenses as well as postage and other expenses incurred in the collection of receivables. The increase in expenses year on year is largely due to higher expenses for collection lawyers of €36.6 million.

The item ''General and administrative expenses, contributions and rent'' includes expenses from operating leases for vehicles and office equipment amounting to €3.1 million (prior year: €3.1 million).

Expenses from the measurement of NPL receivables relate to non-performing loans and receivables acquired for settlement which generated a negative profit contribution in the fiscal year, one reason for which being write-downs.

7. Interest and similar income

Interest and similar income mainly relates to the fair value measurement of derivatives.

8. Interest and similar expenses

Interest expenses arise mainly from loan liabilities of Carl Holding GmbH and expenses from fair value measurement as well as interest expenses from derivatives.

9. Income taxes

Group tax expense is calculated using a tax rate of around 32% (prior year: 32%). This tax rate is also used for the calculation of deferred taxes.

IV. Income statement disclosures (Continued)

The following table shows the tax reconciliation:

in €k	2014	2013
Earnings before income tax	28 380	6 908
Expected income taxes	**9 002**	**2 191**
Modification of the determination of taxable income	914	327
Measurement and utilization of loss carryforwards	5	318
Out-of period taxes	2 674	−8 987
Permanent effects	−2 043	−1 423
True-up/valuation allowances	447	0
Other	28	38
Effective income taxes	**11 027**	**−7 536**

The modification to the determination of taxable income relates in particular to add-backs of non-tax deductible expenses of GFKL Financial Services Aktiengesellschaft.

Out-of-period taxes mainly relate to the elimination (and recognition in profit or loss) of income tax effects from the recognition of VAT on NPL purchases.

The permanent effects largely concern the interest on the hybrid loan from the shareholder and the recognition of equity investments.

The tax expenses are as follows:

in €k	2014	2013
Current taxes	2 802	1 234
Current taxes from prior years	2 674	−8 987
Deferred taxes	5 551	217
Total	**11 027**	**−7 536**

10. Discontinued operations

The sale of the Spanish companies of the GFKL Group planned in fiscal year 2013 made it necessary to apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. In the current reporting period, the sale of the Spanish companies was completed as of December 30, 2014. The profit/loss from these operations is included in the profit/loss from discontinued operations in the income statement.

Information on results and cash flows from discontinued operations is provided below. The results generated in both periods covered are presented on a separate line in the income statement.

For the purposes of presentation in accordance with IFRS 5.33, intragroup balances and transactions between discontinued and continuing operations are not consolidated if it is probable that the business relationships will be continued after the disposal.

The depreciation/amortization of non-current assets of discontinued operations was suspended.

IV. Income statement disclosures (Continued)

The result from discontinued operations breaks down as follows:

in €k	2014	2013
Discontinued operations income	6 410	13 845
Discontinued operations expenses	6 738	13 300
thereof in respect of affiliates	*260*	*260*
Earnings before tax	**−328**	**545**
Taxes on earnings	89	−117
Profit/loss from measurement/deconsolidation less costs to sell	−2 021	−12 585
Profit/loss from discontinued operations	**−2 260**	**−12 157**

in €k	2014	2013
Cash flow from operating activities	−159	14 118
Cash flow from investing activities	5 699	−56
Cash flow from financing activities	−6 175	−15 763
Total	**−635**	**−1 702**

In the prior year, assets and liabilities related to discontinued operations were recognized in the items ''Assets classified as held for sale'' and ''Liabilities classified as held for sale'' (section III.12.) and comprise the assets and liabilities of the operations held for sale as of December 31, 2013.

V. Other disclosures

1. Basic/diluted earnings per share and dividends

Earnings per share are calculated on the basis of the profit attributable to the equity holders of the parent and the number of outstanding shares in the Group's parent, GFKL Financial Services Aktiengesellschaft. As of December 31, 2014, the average number of shares was 24,783,567 (prior year: 24,783,567). Treasury shares (1,100,223 shares; prior year: 1,100,223 shares) are not taken into account in the calculation of earnings per share.

The average number of shares is derived from the number of shares in GFKL Financial Services Aktiengesellschaft including the issue of new shares. In order to determine diluted earnings per share, the shares not yet tendered under the cash settlement offer and the corresponding interest must be taken into account.

Beginning of period	End of period	No. days	No. shares	Weighting
Jan. 1, 2014	Dec. 31, 2014	365	24 783 567	24 783 567
Total/average:		**365**		**24 783 567**

Basic earnings per share were calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares, as follows:

	Dec. 31, 2014	Dec. 31, 2013
Profit/loss from continuing operations after non-controlling interests in €k	17 332	14 457
Profit/loss from discontinued operations in €k	−2 260	−12 157
Profit/loss attributable to equity holders of the parent in €k	**15 073**	**2 301**
Weighted number of shares	24 783 567	24 783 567
Earnings per share in €	**0.61**	**0.09**

V. Other disclosures (Continued)

Diluted earnings per share was calculated as follows:

	Dec. 31, 2014	Dec. 31, 2013
Profit/loss from continuing operations after non-controlling interests in €k	17 411	14 541
Profit/loss from discontinued operations in €k	−2 260	−12 157
Profit/loss attributable to equity holders of the parent in €k	**15 151**	**2 384**
Weighted number of shares	25 001 088	25 005 526
Earnings per share in €	**0.61**	**0.10**

The profit/loss used for determining diluted earnings per share is adjusted for interest expenses and corresponding taxes for outstanding share repurchases of €78k (prior year: €84k). The weighted average number of shares is influenced by the number of shares outstanding as of January 1, 2014 from the cash settlement offer to former ABIT shareholders. The required issue of new ordinary shares at the current share price that would be necessary to settle the outstanding amount under the cash settlement offer is determined in this context.

As for 2013, there are no plans to distribute a dividend for 2014.

2. Additional disclosures on financial instruments

The following table shows the breakdown of assets and liabilities as of December 31, 2014 by IAS 39 category:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	67 794	67 794
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	102 814	102 814
Liabilities			
Financial liabilities at amortized cost	FLAC	164 082	164 082
Financial liabilities at fair value through profit or loss	FLaFV	1 860	1 860

GFKL holds financial instruments in the categories ‘‘Loans and receivables’’ and ‘‘Financial assets at fair value through profit or loss.’’ In the ‘‘Financial assets at fair value through profit or loss’’ category, the carrying amount is equal to the fair value because these items are recognized at market value. In the case of financial instruments in the ‘‘Loans and receivables’’ category, the carrying amount is also equal to the fair value because these items are recognized at the expected settlement amount taking into account appropriate valuation allowances. Assets and liabilities are mostly subject to floating-rate interest. An exception is the fixed-rate subordinated loan from Carl Holding GmbH, which is non-current.

V. Other disclosures (Continued)

As of December 31, 2013, the breakdown is as follows:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	81 058	81 058
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	100 692	100 692
Liabilities			
Financial liabilities at amortized cost	FLAC	190 791	190 791
Financial liabilities at fair value through profit or loss	FLaFV	2 059	2 059

NPL portfolios and derivatives that do not qualify for hedge accounting are recognized in the ''Financial assets at fair value through profit or loss'' and ''Financial liabilities at fair value through profit or loss'' categories. Derivatives fall under Level 2 of the fair value hierarchy in IFRS 7; NPL portfolios under Level 3.

The derivatives recognized (Level 2) relate exclusively to interest rate swaps that GFKL concludes with its banking partners in OTC trade. In order to recognize the fair value of these derivatives, the fair value calculation performed by GFKL as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counterparties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Please see section II.7.a (Accounting treatment of acquired portfolios) for more information on the valuation techniques for determining the fair value of the NPL investments.

The ''Financial liabilities at amortized cost'' are mostly floating-rate loans. There is no evidence that the agreed credit spreads have changed significantly since the loans were entered into. Thus the carrying amounts remain equivalent to the fair values of the financial liabilities.

As of December 31, 2014, the breakdown of contributions to net gain/loss by IAS 39 category was as follows:

in €k Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	1	2	−565	123	**−443**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	66 690	**66 690**
FLAC	376	12 420	0	130	**−11 914**
FLaFV	25	1 275	0	0	**−1 251**

As of December 31, 2013, the amounts were as follows:

in €k Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	4	0	−489	10	**−475**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	53 062	**53 062**
FLAC	0	10 183	0	56	**−10 127**
FLaFV	53	2 837	0	0	**−2 784**

V. Other disclosures (Continued)

As part of refinancing arrangements for securitization transactions, various financial assets were pledged to third parties as collateral. The changes in financial assets pledged as collateral were as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Assigned NPL portfolios	13 066	26 446
Total	**13 066**	**26 446**

There are no financial instruments that include multiple embedded derivatives.

For disclosures on compliance with the terms and conditions of loan agreements, please refer to the information on capital management under section II.9. (Business risks and capital management).

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39.

in €k	Dec. 31, 2014	Dec. 31, 2013
Derivative financial instruments with negative fair values—not designated as part of a hedge relationship	−1 860	−2 058

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 either as of the current or prior-year balance sheet date. It was not possible to apply the rules of hedge accounting to the derivatives as of December 31, 2014. Derivative financial instruments with a negative fair value of €1,460k are held to hedge against fluctuations in the fair value of the NPL portfolios arising from changes in the general level of interest rates. Derivative financial instruments with a negative fair value of €400k are held to hedge against changes in value from refinancing arising from changes in the general level of interest rates.

3. Derecognition of assets

Refinancing of NPL portfolios

Some NPL portfolios are refinanced by the sale of these portfolios to special purpose entities. In this case, the assets are not derecognized, nor is it necessary to recognize any continuing involvement. GFKL retains substantially all the risks and rewards of the NPL portfolio through the subordinated financing of the special purpose entity and the settlement terms for incoming payments from debtors. The assets continue to be recognized under ''Non-performing loans and receivables acquired for settlement'' (€46.1 million; prior year: €24.3 million) and the liabilities under ''Other financial liabilities'' (€13.0 million; prior year: €15.8 million).

4. Contingent liabilities

In connection with Multigestión Cartera's NPL sale to Alkali Investments II SARL, Luxembourg, there is a continued liability of €2.3 million until December 31, 2015.

5. Other financial obligations

The following tables set out the expected changes in rent obligations for company offices, in the lease obligations for vehicles, IT and communications equipment the company uses itself and in maintenance agreement obligations.

V. Other disclosures (Continued)

As of December 31, 2014, the Group had the following financial obligations:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	2 972	7 803	4 626
Maintenance agreements	358	197	0
Operating leases	2 073	2 224	350

As of December 31, 2013, the financial obligations were as follows:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	2 913	1 429	0
Maintenance agreements	259	283	0
Operating leases	300	201	0

GFKL enters into leases for vehicles and communications and IT equipment that it uses itself in the course of its business. These leases are operating leases as defined by IAS 17.

6. Auditor's fees

The group auditor's fees for the fiscal years break down as follows:

in €k	2014	2013
Audit services	225	249
Audit-related services	147	210
Tax services	85	92
Other services	420	165
Total	**876**	**715**

VI. Cash flow statement disclosures

The cash flow statement shows how the cash and cash equivalents in the GFKL Group changed during the course of the year under review as a result of cash inflows and outflows. Cash flows in the cash flow statement are broken down by operating, investing and financing activities (IAS 7).

In the receivables management segment, GFKL's activities include the acquisition and settlement of NPL portfolios for its own account. The related cash flows are separated and allocated to the cash flow from investing activities (acquisition of portfolios), cash flow from financing activities (financing of NPL investments) and cash flow from operating activities (recovery of payments from servicing). This means that cash is allocated more accurately.

The following specific disclosures are made

1. Cash and cash equivalents comprised cash amounting to €35.7 million (prior year: €60.1 million). €24.4 million (prior year: €19.8 million) of this amount is earmarked funds as of December 31, 2014. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet and do not contain any cash from discontinued operations (prior year: €1.9 million).
2. The cash flow from operating activities is primarily shaped by the payments received for NPL portfolios (€90.0 million; prior year: €88.7 million).
3. As of December 31, 2014, the Group's cash flow from operating activities amounted to €36.9 million (prior year: €53.3 million).

VI. Cash flow statement disclosures (Continued)

4. The cash flow from investing activities of −€29.7 million (prior year: −€22.1 million) includes payments for the purchase of NPL portfolios, property, plant and equipment, intangible assets, changes in loans granted, payments received from the disposal of assets and acquisitions and disposals of companies and shares. The cash flow from investments in NPL portfolios amounted to −€27.8 million (prior year: −€26.1 million). Please see section II.8.a (Basis of consolidation) for further information on cash flows from corporate transactions.
5. Apart from the repayment of loans as well as the repayment of the old syndicated loan and the raising of the new syndicated loan, the cash flow from financing activities of −€31.6 million (prior year: −€9.3 million) comprised cash received from the financing of NPL portfolios (€16.6 million; prior year: €18.3 million).
6. In the period under review, the Group generated cash flow from interest paid of €11.1 million (prior year: €8.8 million) and interest received of €42k (prior year: €1.3 million). The cash flow from income taxes was −€0.3 million (prior year: −€0.1 million).

VII. Events after the balance sheet date

In February 2015, an agreement concerning the sale of an insolvency claim contained in a secured portfolio with a carrying amount of €3.8 million was concluded. The purchase price amounts to €4.6 million and includes interest claims as well as the principal claim itself. A guarantee of €0.6 million was given by the GFKL Group on the interest claims.

There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of December 31, 2014.

VIII. Related party relationships and Executive Board and Supervisory Board disclosures

1. Related parties

Carl Holding GmbH, a subsidiary of Advent International, is the majority shareholder with a stake of 97.95%. The following tables show transactions with related parties. In the tables, individual dealings, whether recognized in profit or loss or recognized directly in equity, have been aggregated under ''Transactions.'' The tables do not include any disclosures regarding the remuneration paid to the members of the Executive Board and Supervisory Board. These disclosures are set out in detail under section VIII.2. (Executive Board and Supervisory Board disclosures).

Liabilities and transactions relating to services received break down as follows:

	Transactions		Balances	
	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Advent International	1 631	1 590	20 686	20 055
Equity holders with a significant influence	**1 631**	**1 590**	**20 686**	**20 055**
Related parties of the equity holder with a significant influence	**1 485**	**0**	**201**	**4**
Associates	0	0	0	0
Entities over which key persons have a significant influence	0	0	0	0
Other related parties	223	141	21	0
Total	**3 339**	**1 731**	**20 908**	**20 059**

Liabilities to Advent International are primarily due to loans granted by Carl Holding GmbH. Please also see section III.15. (Hybrid capital).

VIII. Related party relationships and Executive Board and Supervisory Board disclosures (Continued)

Receivables and transactions relating to services rendered break down as follows:

in €k	Transactions		Balances	
	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Advent International	21	11	0	0
Equity holders with a significant influence	**21**	**11**	**0**	**0**
Related parties of the equity holder with a significant influence	**1 636**	**377**	**602**	**64**
Associates	0	0	0	0
Entities over which key persons have a significant influence	1	0	1 871	0
Management in key positions	1	1	0	0
Total	**1 659**	**389**	**2 472**	**64**

The Executive Board members simultaneously hold investments in an Advent entity that indirectly holds shares in GFKL AG. The shares were acquired at market prices. This therefore did not have an effect on GFKL's profit or loss. Rather, the shareholders are entitled to any potential exit income. Management may not freely sell the shares.

SBL Mobilien GmbH and Multigestión Portfolio S.L. were sold to an entity over which a Supervisory Board member has a significant influence.

Related party transactions are conducted on an arm's length basis.

2. Executive Board and Supervisory Board disclosures

Over the past few years, the following gentlemen were members of the Executive Board:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	—
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	—
Marc Knothe, Vienna	May 1, 2011	—

The following table shows the total remuneration paid to the Executive Board and in the remuneration entitlement for the members of the Supervisory Board specified by the articles of incorporation in the year under review:

in €k	2014	2013
Current remuneration	1 880	1 887
Executive Board remuneration	**1 880**	**1 887**
Supervisory Board remuneration	92	92
Total remuneration	**1 972**	**1 979**

A pension obligation in favor of a former member of the Executive Board resulted in expenses of €0k in the reporting period (prior year: €68k). Please see section III.25. (Provisions for pensions) for further information.

VIII. Related party relationships and Executive Board and Supervisory Board disclosures (Continued)

In the past two years, the Supervisory Board members were:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	—
Hans-Hermann Lotter, Frankfurt am Main (Chairman)	Dec. 15, 2009	—
Wilhelm Plumpe, Hamburg (Deputy Chairman)	Dec. 15, 2009	—

Essen, March 31, 2015

sgd Kamyar Niroumand
(Chairman of the
Executive Board)

sgd Marc Knothe
(Member of the
Executive Board)

sgd Christoph Pfeifer
(Member of the
Executive Board)

Company No. 07652466

METIS BIDCO LIMITED

Report and Consolidated Financial Statements

15 month period ended 31 December 2015

METIS BIDCO LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2015

CONTENTS

METIS BIDCO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, STRATEGIC REPORT AND THE FINANCIAL STATEMENTS

15 month period ended 31 December 2015

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial period. Under that law they have elected to prepare both the Group and the Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent Company and of their profit or loss for that period. In preparing each of the group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METIS BIDCO LIMITED

We have audited the financial statements of Metis Bidco Limited for the 15 month period ended 31 December 2015 set out on pages F-231 to F-263. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page F-264, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the 15 month period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with International Financial Reporting Standards 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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 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.

Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

22 April 2016

METIS BIDCO LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

15 month period ended 31 December 2015

	Note	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Revenue			
Income from portfolio investments	1,12	161,296	107,050
Portfolio write up	1,12	33,545	25,338
Portfolio fair value release	1,12	(4,474)	(4,882)
Finance revenue on acquired portfolio investments		**190,367**	**127,506**
Other revenue	1	12,888	18,688
Total revenue		**203,255**	**146,194**
Operating expenses			
Collection activity costs	1	(51,884)	(33,486)
Other expenses	4	(78,758)	(63,117)
Total operating expenses		**(130,642)**	**(96,603)**
Operating profit		**72,613**	**49,591**
Interest income	5	44	127
Finance costs	6	(122,953)	(63,931)
Loss before tax	3	**(50,296)**	**(14,213)**
Income tax credit / (expense)	7	3,634	(1,874)
Loss for the period attributable to equity shareholders		**(46,662)**	**(16,087)**
Other comprehensive income		—	—
Total comprehensive expenditure for the period attributable to equity shareholders		**(46,662)**	**(16,087)**

The notes on pages F-231 to F-263 form part of these financial statements.

METIS BIDCO LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Note	31 Dec 2015 £000	30 Sept 2014 £000
Assets			
Non-current assets			
Goodwill	8	169,819	169,819
Intangible assets	9	4,563	5,622
Property, plant and equipment	10	3,877	3,987
Portfolio investments	12	289,545	204,600
Deferred tax asset	14	3,514	250
Total non-current assets		**471,318**	**384,278**
Current assets			
Portfolio investments	12	202,757	163,677
Trade and other receivables	13	34,327	33,153
Cash and cash equivalents	18	15,071	34,373
Total current assets		**252,155**	**231,203**
Total assets		**723,473**	**615,481**
Equity			
Share capital	17	274,138	1,295
Share premium		69	69
Retained deficit		(119,528)	(72,866)
Total deficit attributable to shareholders		**154,679**	**(71,502)**
Liabilities			
Non-current liabilities			
Borrowings	15	521,895	650,023
Current Liabilities			
Trade and other payables	16	22,222	36,909
Borrowings	15	24,677	—
Current tax liabilities		—	51
Total current liabilities		**46,899**	**36,960**
Total equity and liabilities		**723,473**	**615,481**

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 22 April 2016.

Signed on behalf of the Board of Directors by:

C G Storrar
Director
22 April 2016

The notes on pages F-231 to F-263 form part of these financial statements.

METIS BIDCO LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
31 December 2015

	Note	31 Dec 2015 £000	30 Sept 2014 £000
Assets			
Non-current assets			
Investments	11	176,102	176,102
Current assets			
Trade and other receivables	13	56	5,200
Cash and cash equivalents	18	240	695
Total current assets		**296**	**5,895**
Total assets		**176,398**	**181,997**
Equity			
Share capital	17	274,138	1,295
Share premium		69	69
Retained deficit		(134,607)	(98,935)
Total deficit attributable to shareholders		**139,600**	**(97,571)**
Liabilities			
Non-current liabilities			
Borrowings	15	29,184	268,600
Current Liabilities			
Trade and other payables	16	3,748	10,968
Borrowings	15	3,866	—
Total current liabilities		**7,614**	**10,968**
Total equity and liabilities		**176,398**	**181,997**

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 22 April 2016.

Signed on behalf of the Board of Directors by:

C G Storrar
Director
22 April 2016

The notes on pages F-231 to F-263 form part of these financial statements.

METIS BIDCO LIMITED
STATEMENT OF CHANGES IN EQUITY
15 month period ended 31 December 2015

Group

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 October 2013	**1,230**	**69**	**(56,779)**	**(55,480)**
Issuance of shares	65	—	—	65
Loss for the period	—	—	(16,087)	(16,087)
Balance at 1 October 2014	**1,295**	**69**	**(72,866)**	**(71,502)**
Loss for the period	—	—	(46,662)	(46,662)
Preference shares converted to equity share capital (Note A)	272,843	—	—	272,843
Balance at 31 December 2015	**274,138**	**69**	**(119,528)**	**154,679**

Company

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 October 2013	**1,230**	**69**	**(64,551)**	**(63,252)**
Issuance of shares	65	—	—	65
Loss for the period	—	—	(34,384)	(34,384)
Balance at 1 October 2014	**1,295**	**69**	**(98,935)**	**(97,571)**
Loss for the period	—	—	(35,672)	(35,672)
Preference shares converted to equity share capital (Note A)	272,843	—	—	272,843
Balance at 31 December 2015	**274,138**	**69**	**(134,607)**	**139,600**

Note A: On the 8 December 2015 the rights attached to the preference shares were amended. This has resulted in the preference shares being classified as equity share capital. See Notes 15 and 17 for further details.

The notes on pages F-231 to F-263 form part of these financial statements.

METIS BIDCO LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

15 month period ended 31 December 2015

	Note	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Net cash from operating activities	18	(128,755)	(81,247)
Investing activities			
Interest received		44	127
Purchase of property, plant and equipment		(1,166)	(3,148)
Purchase of intangible assets		(2,339)	(1,768)
Proceeds of sale of property, plant and equipment		203	41
Net cash from investing activities		(3,258)	(4,748)
Financing activities			
New borrowings—loan with immediate parent		492,711	115,000
New borrowings—RCF		10,000	—
Repayment of borrowings—Senior Secured Notes		(390,000)	(10,000)
New share issue		—	65
Net cash from financing activities		112,711	105,065
Net (decrease) / increase in cash and cash equivalents		**(19,302)**	**19,070**
Cash and cash equivalents at beginning of period		34,373	15,303
Cash and cash equivalents at end of period		**15,071**	**34,373**

The notes on pages F-231 to F-263 form part of these financial statements.

METIS BIDCO LIMITED

COMPANY STATEMENT OF CASH FLOWS

15 month period ended 31 December 2015

	Note	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Net cash from operating activities	18	(455)	143
Investing activities			
Interest received		—	5
Net cash from investing activities		—	5
Financing activities			
New share issue		—	65
Net cash from financing activities		—	65
Net (decrease) / increase in cash and cash equivalents		**(455)**	**213**
Cash and cash equivalents at beginning of period		695	482
Cash and cash equivalents at end of period		**240**	**695**

The notes on pages F-231 to F-263 form part of these financial statements.

1. ACCOUNTING POLICIES

General information and basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). Those standards have been applied consistently to the historical periods.

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been EU endorsed and were effective for the first time during the period.

IAS 19 (amended)	Defined Benefit Plans: Employee Contributions

These amendments have had no impact on these financial statements as they are not relevant to the Company.

The following new and revised Standards and Interpretations have been EU endorsed but are not yet effective for these financial statements.

IFRS 11 (amended)	Accounting for Acquisitions of Interest in Joint Operations
IAS 1 (amended)	Disclosure initiative
IAS 16 and IAS 38 (amended)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (amended)	Bearer Plants
IAS 27 (amended)	Equity Method in Separate Financial Statements

No new or revised Standards and Interpretations that have been endorsed but are not yet effective for these financial statements have been early adopted in preparing these financial statements. Their impact is not expected to be significant.

The following standard is not yet endorsed however may have a material impact and affect disclosure requirements in future periods:

IFRS 9—Financial Instruments—will impact the measurement and disclosures for Financial Instruments. The adoption of Effective Interest Rate is thought to be in line with current IFRS 9 guidance however additional disclosure requirements, over and above those from IFRS 7, will be required. In particular more specific disclosures around compliance with applicable regulation and the management of risk. Management are still assessing the impact of IFRS 9 on future periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of each period. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

No Statement of Comprehensive Income is presented for Metis Bidco Limited itself, as permitted by Section 408 of the Companies Act 2006.

Going concern

The Group's business activities are set out in the Statement of Comprehensive Income (SCI) and Statement of Financial Position (SFP) on pages F-225 and F-226. In addition, Note 21 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

1. ACCOUNTING POLICIES (Continued)

The Group is in a net assets position as a result of funding structures in place from investment by the immediate parent, Simon Bidco Limited. In particular the change in the rights attached to the preference shares have contributed significantly to this position as they are now classified as equity share capital.(see Notes 15 and 17 for further details).

The Adjusted EBITDA of the Group is an industry accepted measure of a business's asset base and cashflow generation. The Group has demonstrated strong growth in Adjusted EBITDA during the period ended 31 December 2015 with the Adjusted EBITDA of £183.4m (year ended 30 September 2014 Adjusted EBITDA £126.1m).

The business as a whole is cash generative, recording £293.6m in gross cash collections (see Note 12) for the period ended 31 December 2015 (year ended 30 September 2014: £196.8m). In addition, the Group generated operating cashflows (before interest and taxation payments / receipts and movements in portfolio investments) of £67.9m for the 15 month period ended 31 December 2015 (12 month ended 30 September 2014: £52.1m). The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

The business benefits from the sources of funding available to the wider Garfunkelux Holdco 2 S.A. group. As at 31 December 2015, these were two tranches of Senior Secured Loan Notes of Euros 365m and £565m due for repayment on 1 August 2022 and 1 November 2022 respectively; Senior Loan Notes of £230m due for repayment on 1 November 2023 and a RCF OF Euros 200m available to 31 December 2021.

There are long term business plans and short term forecasts in place at a group level (both Metis Bidco Limited and Garfunkelux Holdco 2 S.A.), which are reviewed and updated on a regular basis by management. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing these financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value (see Financial Instruments Note 21). Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from the date of acquisition.

1. ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Total goodwill is tested for impairment annually. Additionally, if there is evidence of impairment in any cash-generating unit (''CGU''), goodwill allocated to that CGU is also tested for impairment.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rated basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On a business combination the portfolio investments are remeasured to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Revenue recognition and effective interest rate method

Finance revenue on acquired portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, net of VAT, all of which arose in the UK. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortised cost using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts 84 months of estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition, (i.e. the price paid to acquire the asset). An initial EIR is determined at the acquisition of the portfolio investment, and then reassessed for up to 12 months after the acquisition to reflect refinements made to estimates of future cash flows based on actual data collected during that time period. Reassessing and changing the EIR within 12 months of acquisition doesn't have a material impact on the financial statements.

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Upward adjustments to carrying values as a result of reassessments to forecasted cashflows are recognised in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised as a separate Statement of Comprehensive Income (''SCI'') line item (see page F-225 for further details).

As part of the acquisition accounting around the purchase of Lowell Group Limited by Metis Bidco Limited on 15 September 2011 the portfolio investments were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift (see Note 12). This uplift is being unwound in line with the profile of gross ERC over an 84 month period from the date of acquisition, in keeping with a standard collection curve profile. This results in over 50% being released in the first 24 months and almost 80% in 48 months.

1. ACCOUNTING POLICIES (Continued)

Other revenue

Other revenue represents amounts receivable for tracing and debt collecting services (commissions) provided to the debt collection industry, net of VAT, all of which arose in the UK. The revenue is recognised when the service is provided (accrual basis) which in this case is when cash is collected from the debtor on behalf of the Group's client.

Impairment of acquired portfolio investments

Acquired portfolio investments are reviewed for indications of impairment at the Statement of Financial Position (''SFP'') date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio investment. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio investment and is included in revenue. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in revenue, up to the point that the reversals equal the previously recognised cumulative revenue. If these reversals exceed the previously recognised cumulative revenue then a provision for impairment is recognised as a separate SCI line item.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's SFP when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Acquired portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the effective interest method.

The portfolio investment asset is analysed between current and non-current in the SFP. The current asset is determined using the expected cash flows arising in the next twelve months after the SFP date. The residual amount is classified as non-current.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables (including Trade receivables) when the recognition of interest would be immaterial.

The Group has forward flow agreements in place in relation to the future acquisition of portfolio investments. The fair value and subsequent amortised cost of portfolios acquired under these agreements are determined on the same basis as the Group's other acquired portfolio investments.

Litigation costs

Litigation costs represent upfront fees paid during the litigation process. The fees are legally recoverable from the customer and are added to the customer account balance to be recovered at a later date. Litigation costs are deferred to the SFP on initial recognition and released to the SCI in line with the forecast collections / ERC profile over seven years.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss / SCI (FVTPL), are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective

1. ACCOUNTING POLICIES (Continued)

evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost using the effective interest method, except for those measured at fair value through SCI, e.g. derivative liabilities.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

As at 31 December 2015 the Group had no outstanding derivative contracts. All contracts matured or were closed out as at 30 March 2012. No other contracts have been entered into since this date.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract. This relates to forward flow contracts (see page F-238).

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in Note 21.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle that obligation and if a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the SFP date, taking into account the risks and uncertainties surrounding the

1. ACCOUNTING POLICIES (Continued)

obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit/(loss) for the period. Taxable profit/(loss) differs from net profit/(loss) as reported in the SCI because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit/(loss), and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each SFP date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the SFP date. Deferred tax is charged or credited in the SCI, except when it relates to items

1. ACCOUNTING POLICIES (Continued)

charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Non-current asset investments

Investments are stated at cost less provision for impairment.

Pensions

The Group operates a number of defined contribution schemes for the benefit of its employees. Contributions payable are charged to the SCI in the period they are payable.

Collection activity costs

Collection activity costs represents the direct third party costs in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognised as the costs are incurred (accruals basis).

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Office equipment	5 years
Fixtures and fittings	5 years
Hardware	5 years
Leasehold improvements	Life of lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the SCI.

Intangible assets

Separately acquired or internally generated intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset will be available for use or sale, that there is an intention and ability to use or sell the asset, that it will generate future economic benefit, and that the expenditure attributable to the asset during its development can be measured. Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

1. ACCOUNTING POLICIES (Continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years	Straight line
Licences	3 years	Straight line
Development costs	Not amortised	
Acquired customer contracts	Expected life of the underlying contract (Collection profile)	

Development costs are not amortised until the project they relate to is complete and goes live. Once the project is live the costs are moved from development costs to the relevant category and amortised over the applicable useful economic life.

Assets are reviewed for signs of impairment at least annually and more frequently if necessary. Impairments are recognised where the carrying value of the asset exceeds the future economic benefit.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the Group's financial statements. UK company law and IFRS require the directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently, and make judgements and estimates that are reasonable and prudent.

The judgements and estimates used in applying the Group's accounting policies that are considered by the directors to be the most important to the portrayal of its financial position are detailed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

Revenue recognition

Portfolio investments are acquired from institutions at a substantial discount from their face value and are subsequently measured at amortised cost using the effective interest method.

The EIR is determined as at the time of acquisition of the portfolio and then reassessed and adjusted up to 12 months after the acquisition of the portfolio to reflect refinements made to estimates of future cash flows, based on actual data and analysis considered during that time period. It is not subsequently changed.

The calculation of the EIR for each portfolio is based on the estimation of future cash flows. These cash flows are estimates and are therefore inherently judgemental. These estimates are based upon historical collections data from other portfolios with similar features such as type and quantum of debt, or age.

A change in EIR of +/− 2.5% has the following impact on the income from portfolio investments:

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Plus 2.5%		
Income from portfolio investments	9,178	5,377
Portfolio write-up	(16,311)	(8,992)
Decrease of income	(7,133)	(3,615)
Minus 2.5%		
Income from portfolio investments	(8,784)	(5,102)
Portfolio write-up	15,450	9,063
Increase of income	6,666	3,961

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

If the forecast portfolio collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the portfolio and is included in revenue as a portfolio write up.

Impairment of acquired portfolio investments

The portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy. During the 15 month period ended 31 December 2015 impairments have not been material and therefore not shown separately.

The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the initially set EIR. The cash flow forecasts, which represent the undiscounted value of the estimated remaining collections (''ERC'') of our portfolio investments at a given point in time, are calculated over an 84 month period, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model.

The calculation of the ERC for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Goodwill and valuation of intangible assets

The Group capitalises goodwill on the acquisition of businesses as discussed in the significant accounting policies. Goodwill is the excess of the cost of an acquired business over the fair value of its net assets. 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 investment portfolios where valuations reflect estimates of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires comparing goodwill to the higher of 'fair value less costs to sell' and 'value in use'. If the goodwill balance is higher then there is evidence of impairment. Calculation of the value in use requires an estimate of future cash flows expected to arise from the reduced cash-generating unit after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgements in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

See Note 8 for further details regarding goodwill.

3. LOSS BEFORE TAX

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Loss for the period is after charging/(crediting):		
Release of contingent consideration obligation	—	(5,200)
Depreciation of property, plant and equipment (Note 10)	1,087	1,033
Amortisation of intangible assets (Note 9)	3,316	3,294
(Profit) / loss on disposal of property, plant and equipment (Note 10)	(14)	314
Loss on disposal of intangible assets (Note 9)	82	131
Staff costs (Note 4c)	50,762	35,681
Rentals under operating leases (Note 19)	2,111	2,233

4. STAFF COSTS AND OTHER OPERATING EXPENSES

a) Other operating expenses

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Staff costs (Note 4c)	50,762	35,681
Depreciation of property, plant and equipment (Note 10)	1,087	1,033
Amortisation of intangible assets (Note 9)	3,316	3,294
Other	23,593	23,109
Total other operating expenses	**78,758**	**63,117**

b) Auditor's remuneration

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Audit of Parent Company and consolidated financial statements	10	3
Audit of financial statements of subsidiaries	91	67
Other services	316	1,032
Total auditor's remuneration	**417**	**1,102**

Other services comprise corporate finance consultancy and assurance services provided to the Group.

The extent of non-audit services fees payable are reviewed by the Audit Committee in the context of the fees paid by the Group to its other advisors during the period. The Committee also reviews the nature and extent of the non-audit services to ensure that independence is maintained.

c) Staff costs

The average number of employees (including executive directors) was:

	15 months ended 31 Dec 2015 Number	Year ended 30 Sept 2014 Number
Customer account associates	602	548
Other operational staff	234	244
Business support	385	288
Total	**1,221**	**1,080**

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Wages and salaries	45,417	32,071
Social security costs	4,876	3,300
Pension costs (Note 20)	469	310
Total	**50,762**	**35,681**

4. STAFF COSTS AND OTHER OPERATING EXPENSES (Continued)

d) Directors' remuneration

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Directors' remuneration		
Directors' emoluments to current directors	1,723	518
Company contributions to defined contribution scheme	8	2
	1,731	**520**

The emoluments listed above relate to JJ Cornell, SL Leckenby, CG Storrar and AR Hill, who are directors of the Company. JJ Cornell, SL Leckenby and CG Storrar are paid by a subsidiary undertaking of the Company (Lowell Financial Ltd) for their services as director to the Company and the Group. A R Hill is paid by the Company for his services as a director to the Company and the Group. The above does not include any emoluments for M Dale, T J H Large, J B Rosen, B J Thompson, I A Kennedy and M Teubner who are paid by a parent undertaking for their services to the Group.

Emoluments paid to other key employees who are not directors of this Company but are directors of subsidiaries of the Company are detailed in Note 22. These six employees are paid by subsidiary undertakings of the Company for their services as directors to the Group.

The aggregate of emoluments of the highest paid director was £576.2k (year ended 30 September 2014: £370.4k) and company pension contributions of £3.3k (year ended 30 September 2014: £2.1k) were made to a defined contribution scheme on their behalf.

The number of directors who have benefits accruing under defined contribution pension schemes is three (year ended 30 September 2014: one).

5. INTEREST INCOME

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Bank interest receivable	44	127

6. FINANCE COSTS

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Interest payable on the £200m Notes	22,336	21,500
Fees payable on the £200m Notes (Note B)	21,174	1,152
Interest payable on the £75m Notes	8,376	8,062
Fees payable on the £75m Notes (Note B)	7,143	242
Release of premium on £75m Notes (Note A)	(5,226)	(1,161)
Interest payable on the £115m Notes	7,019	3,754
Fees payable on the £115m Notes (Note B)	8,902	326
Interest payable on preference shares	30,066	25,217
Interest payable on loan notes	3,454	2,685
Interest payable on intergroup loan	10,799	—
Interest and fees payable on revolving credit facility (Note C)	8,836	2,154
Interest on deferred portfolio payments	74	—
	122,953	**63,931**

Note A: The £75m Notes were issued at a premium of £7.125m (cash raised £82.125m; Notes outstanding £75m). The premium is being released to the SCI over the term of the £75m Notes. For further details on the borrowing facilities and premium see Notes 15 and 16 respectively. The Notes (£200m, £75m and £115m) were redeemed on 13 October 2015 and therefore the premium was released in full on this date.

Note B: The 3 Senior Secured Notes were redeemed on 13 October 2015. As a result an early redemption fee of £28.1m was paid. In addition, the outstanding set up fees of £6.9m were released to the SCI.

Note C: The £215m RCF was terminated on 13 October 2015. As a result, the outstanding set up fees of £5.5m were released to the SCI.

7. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Current taxation		
UK corporation tax	—	(2,164)
Adjustment in respect of previous periods	(370)	(22)
Total current tax credit	(370)	(2,186)
Deferred tax		
Origination and reversal of temporary differences	(3,374)	4,469
Prior period adjustment	(524)	(3)
Impact of change in tax rate	634	(406)
Total deferred tax (credit) / expense (Note 14)	(3,264)	4,060
Total tax (credit) / expense	**(3,634)**	**1,874**

The Finance Act 2013 was substantively enacted on 2 July 2013 and provided for a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and by a further 1% to 20% from 1 April 2015. Accordingly both of these rate reductions have been reflected in the financial statements.

7. INCOME TAX (Continued)

b) Reconciliation of effective tax rate

The tax assessed for the period is higher (year ended 30 September 2014: higher) than the standard effective rate of corporation tax in the UK for the period ended 31 December 2015 of 20.40% (year ended 30 September 2014: 22.00%) The differences are explained below:

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Loss on ordinary activities before tax	(50,296)	(14,213)
Tax credit on loss on ordinary activities at standard UK corporation tax rate of 20.40% (year ended 30 September 2014: 22.00%)	(10,259)	(3,127)
Effects of:		
Expenses not deductible for tax purposes	6,886	6,717
Income not taxable for tax purposes	—	(1,144)
Effects of other tax rates	634	(547)
Adjustment to tax charge in respect of previous periods	(895)	(25)
Total tax (credit) / expense	**(3,634)**	**1,874**

8. GOODWILL

	Total £000
Cost	
At 30 September 2014 and 31 December 2015	170,604
Impairment	
At 30 September 2014 and 31 December 2015	(785)
Net book value	
At 30 September 2014 and 31 December 2015	169,819

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to two CGU 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). The two CGU's identified are Lowell Group, comprising of all group companies other than those within the Interlaken Group, which represent the cash flows generated from collections on acquired portfolio investments, and Interlaken Group, consisting of Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited, which represents cashflows generated from collections of third party debt.

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. On 13 Oct 2015 100% of the equity of Metis Bidco Limited was purchased by a third party for a purchase price of £611.7m less costs to sell of £12.0m. Therefore no impairment of goodwill is deemed necessary.

9. INTANGIBLE ASSETS

Group

	Software and licences £000	Development costs £000	Acquired customer contracts £000	Total £000
Cost				
At 1 October 2014	4,221	204	11,404	15,829
Additions	905	1,434	—	2,339
Reclassification	829	(829)	—	—
Disposals	(553)	(54)	—	(607)
At 31 December 2015	5,402	755	11,404	17,561
Accumulated amortisation				
At 1 October 2014	(1,932)	—	(8,275)	(10,207)
Charge for the period	(1,917)	—	(1,399)	(3,316)
Disposals	525	—	—	525
At 31 December 2015	(3,324)	—	(9,674)	(12,998)
Net book value				
At 31 December 2015	2,078	755	1,730	4,563
At 30 September 2014	2,289	204	3,129	5,622

Reclassifications: Development costs can be a combination of ''Software and Licences'' and ''Property, Plant and Equipment''. When projects go live and development costs are reclassified they are transferred to ''Software and Licences'' or ''Property, Plant and Equipment'' (Note 10).

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 October 2014	143	2,644	2,793	3,927	9,507
Additions	43	234	806	83	1,166
Disposals	(44)	(105)	(786)	(3,368)	(4,303)
At 31 December 2015	142	2,773	2,813	642	6,370
Accumulated depreciation					
At 1 October 2014	(49)	(258)	(1,626)	(3,587)	(5,520)
Charge for the period	(47)	(302)	(588)	(150)	(1,087)
Disposals	44	105	602	3,363	4,114
At 31 December 2015	(52)	(455)	(1,612)	(374)	(2,493)
Net book value					
At 31 December 2015	90	2,318	1,201	268	3,877
At 30 September 2014	94	2,386	1,167	340	3,987

11. NON-CURRENT ASSET INVESTMENTS

Company

Subsidiary undertakings	£000
Cost	
At 31 December 2015, 30 September 2014 and 1 October 2013	176,102

The Company has investments in the following subsidiary undertakings:

Name	Country of incorporation	Principal activity	Ordinary share holding %
Lowell Finance Holdings Limited	UK	Holding company	100*
Lowell Group Financing Plc	UK	Financing	100
Lowell Group Limited	UK	Holding company	100
Lowell Funding Limited	UK	Holding company	100
Lowell Acquisitions Limited	UK	Holding company	100
Lowell Holdings Ltd	UK	Holding company	100
Lowell Finance Ltd	UK	Holding company	100
Lowell Financial Ltd	UK	Consumer debt collection	100
Lowell Portfolio I Ltd	UK	Consumer debt acquisition and collection	100
Tocatto Ltd	UK	Consumer debt collection	100
Lowell Portfolio III Holdings Limited	UK	Holding company	100
Lowell Portfolio III Limited	UK	Dormant	100
Lowell Portfolio IV Holdings Limited	UK	Holding company	100
Lowell Portfolio IV Limited	UK	Dormant	100
Lowell Solicitors Limited	UK	Litigation services	100
Interlaken Group Limited	UK	Holding company	100
Fredrickson International Limited	UK	Consumer debt collection	100
SRJ Debt Recoveries Limited	UK	Consumer debt collection	100

* Held directly by the Company.

All subsidiaries are included in the consolidation.

12. PORTFOLIO INVESTMENTS

Group

	31 Dec 2015 £000	30 Sept 2014 £000
Non-current		
Portfolio investments	289,545	204,600
Current		
Portfolio investments	202,757	163,677
Total	**492,302**	**368,277**

12. PORTFOLIO INVESTMENTS (Continued)

The movements in acquired portfolio investments were as follows:

	31 Dec 2015 £000	30 Sept 2014 £000
As at the period brought forward	368,277	275,388
Portfolios acquired during the period	227,301	162,209
Collections in the period	(293,643)	(196,826)
Income from portfolio investments	161,296	107,050
Portfolio fair value release	(4,474)	(4,882)
Portfolio write-up	33,545	25,338
As at the period end	**492,302**	**368,277**

13. TRADE AND OTHER RECEIVABLES

Group

	31 Dec 2015 £000	30 Sept 2014 £000
Trade receivables	1,435	2,176
Litigation deferred costs	18,246	14,410
Other receivables	11,086	6,162
Prepayments and accrued income	2,639	6,818
Corporation tax recoverable	921	3,587
	34,327	**33,153**

Company

	31 Dec 2015 £000	30 Sept 2014 £000
Amounts owed by Group undertakings (Note A)	20	5,146
Other receivables	—	18
Corporation tax recoverable	36	36
	56	**5,200**

Note A: These balances are non-interest bearing and repayable on demand.

14. DEFERRED TAX

Group

The following are the major deferred tax assets / (liabilities) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £000	Short term timing differences £000	Deferred tax on losses £000	Total £000
At 1 October 2014	976	(2,814)	2,088	250
Credited/(charged) to the income statement*	(443)	1,440	2,267	3,264
At 31 December 2015	**533**	**(1,374)**	**4,355**	**3,514**

* See Note 7

15. BORROWINGS

Group

	31 Dec 2015 £000	30 Sept 2014 £000
Non-current		
Unsecured borrowing at amortised cost		
Preference shares	—	242,777
Loan Notes 2021	29,184	25,823
Loan with immediate parent undertaking	492,711	—
Total Unsecured	521,895	268,600
Secured borrowing at amortised cost		
Senior secured notes	—	390,000
Prepaid costs on senior secured notes	—	(8,577)
Total Secured	—	381,423
Total borrowings due for settlement after 12 months	**521,895**	**650,023**
Current		
Unsecured borrowing at amortised cost		
Interest on loan with immediate parent undertaking	10,799	—
Loan Notes	3,866	—
Total Unsecured	14,665	—
Secured borrowing at amortised cost		
Revolving credit facility	10,012	—
Total Secured	10,012	—
Total borrowings due for settlement before 12 months	**24,677**	**—**

All borrowings are denominated in GBP Sterling.

Preference Shares

The rights attached to the Preference Shares were amended with effect from 8 December 2015. This has resulted in them being classified as equity share capital rather than as borrowings. See Note 17 for details of the rights attached to the Preference Shares.

15. BORROWINGS (Continued)

Company

	31 Dec 2015 £000	30 Sept 2014 £000
Non-current		
Unsecured borrowing at amortised cost		
Preference shares	—	242,777
Loan Notes 2021	29,184	25,823
Total Unsecured	29,184	268,600
Total borrowings due for settlement after 12 months	**29,184**	**268,600**
Current		
Unsecured borrowing at amortised cost		
Loan Notes	3,866	—
Total Unsecured	3,866	—
Total borrowings due for settlement before 12 months	**3,866**	**—**

All borrowings are denominated in GBP Sterling.

The other principal features of the Group's borrowings are as follows:

Preference Shares

The rights attached to the Preference Shares were amended with effect from 8 December 2015. This has resulted in them being classified as equity share capital rather than as borrowings. See Note 17 for details of the rights attached to the Preference Shares.

Senior Secured Notes ("Notes")

On 13 October 2015 the Company repaid in full all Senior Secured Notes, including accrued interest and fees.

The interest rate charged on the Notes was fixed for the entirety of their terms. Due to the early repayment redemption fees were applied as disclosed in Note 6.

The £75m Notes were issued at a premium raising cash of £82.1m. The loan premium of £7.1m was being released to the SCI over the remaining term of the Notes. The remaining balance of £4.1m was released in full on 13 October 2015.

Loan Notes 2021

The Unsecured Loan Notes 2021 were issued by the Company on 15 September 2011. The interest rate is 15.25% non-compounding for the first five years and then 12% compounding annually for the next five years. The principal and accrued interest are both payable ten years after the issue date. The loan notes together with accrued interest may be redeemed early by the Company at any time or by the noteholders with the lead investor's consent on the occurrence of any event specified in the Loan Note Instrument.

As at 31 December 2015 the amount of Shareholder Loan outstanding was £29.2m (2014: £25.8m), comprising loan principal of £17.6m (2014: £17.6m) and accrued interest of £11.6m (2014: £8.2m).

15. BORROWINGS (Continued)

Loan Notes

This relates to two separate loans both of which are with the immediate parent undertaking and classed as repayable on demand:

a) principal loan of £2.4m that is non-interest bearing, and

b) principal loan of £1.3m and accrued interest of £0.1m that has an annual compounding interest rate of 5.4%.

Loan with immediate parent undertaking

On the 13 October 2015 Lowell Portfolio I Ltd (a subsidiary undertaking of the Company) entered into a loan agreement with the immediate parent undertaking of the Company. The loan was for an amount of £492.7m, attracting a compounding annual interest rate of 10%. The loan maturity date is 1 November 2023. The proceeds of the loan were used to repay the Senior Secured Notes and the RCF.

Revolving Credit Facility ("RCF")

The RCF facility in place at the start of the period of £215m was terminated on 13 October 2015.

This was replaced by a new facility agreement, for Euro 200m, set up for the benefit of the group headed by Garfunkelux Holdco 2 S.A. The Metis Bidco Limited group can directly draw on this facility.

The RCF has a variable interest rate linked to LIBOR.

The current RCF ceases on 31 December 2021.

The weighted average interest rates during the period were as follows:

	31 Dec 2015 £000	30 Sept 2014 £000
Notes	9.31%	9.83%
RCF	4.01%	4.49%
Shareholder Loan	15.25%	15.25%
Preference Shares	15.25%	15.25%
Loan with immediate parent undertaking	10.00%	—

16. TRADE AND OTHER PAYABLES

Group

	31 Dec 2015 £000	30 Sept 2014 £000
Trade payables	2,870	6,257
Amounts owed to Metis Holdco Limited	—	2,785
Amounts owed to other parties	—	1,361
Amounts owed to immediate parent undertaking (Note A)	180	—
Other taxes and social security	1,675	1,533
Accruals and deferred income	2,965	5,763
Other payables	3,804	4,682
Other payables—acquired portfolio investments	10,728	9,302
Loan notes premium	—	5,226
	22,222	**36,909**

16. TRADE AND OTHER PAYABLES (Continued)

Company

	31 Dec 2015 £000	30 Sept 2014 £000
Trade payables	40	3,358
Amounts owed to Metis Holdco Limited	—	2,785
Amounts owed to other parties	—	1,361
Amounts owed to group undertakings (Note A)	3,342	1,101
Other taxes and social security	8	4
Accruals and deferred income	358	2,359
Other payables	—	—
	3,748	**10,968**

Other payables—acquired portfolio investments: this relates to the acquisition of portfolio investments that are paid for after the period end. In the majority cases the obligation is settled within one month.

Loan note premium: for further details see Note 6 and 15.

Note A: These balances are non-interest bearing and repayable on demand (see Note 22).

17. SHARE CAPITAL

	31 Dec 2015 £000	30 Sept 2014 £000
Called up, allotted and fully paid:		
940,478 (2014: 940,478) A ordinary shares of £1.00 each	940	940
226,190 (2014: 226,190) B ordinary shares of £1.00 each	226	226
128,082 (2014: 128,082) C ordinary shares of £1.00 each	128	128
23,810 (2014: 23,810) D ordinary shares of £0.01 each	1	1
1 (2014: nil) T ordinary share of £0.01 each	—	—
Fair value of preference shares	272,843	—
	274,138	**1,295**

On 12 November 2015 the Company issued one T ordinary share (nominal value of £0.01) at par for cash.

The rights attached to the A, B, C, and D ordinary shares (''Ordinary Shares''), T ordinary shares (''T Shares'') and the preference shares (together the ''Shares'') were amended with effect from 8 December 2015.

Preference Shares

The amendment to the rights attached to the shares has resulted in the preference shares being classified as equity share capital rather than as borrowings (financial instruments).

The reasons for the reclassification are:

a) dividends are only payable to preference shareholders at the discretion of the board of directors;

b) in relation to dividend payments preference shares and Ordinary Shares are treated the same;

c) on a return of capital the preference shares do not have any priority over other classes of shares and are treated the same as Ordinary Shares; and

17. SHARE CAPITAL (Continued)

d) there is no obligation to repay the principal and outstanding accrued preference share coupon.

As at 8 December 2015 there were 165,810,093 £1.00 preference shares in issue. Up to 8 December 2015 the preference shares attracted a non compounding coupon at an annual rate of 15.25%. As at 8 December 2015 the outstanding accrued coupon was £107.0m. As at 8 and 31 December 2015 the carrying value of the preference shares is £272.8m (nominal value: £165.8m and accrued coupon £107.0m). On the 13 October 2015 the Company was sold in an independent third party transaction. At this date the price paid for the preference shares was their carrying value (including any outstanding accrued coupon). Therefore as at 8 December 2015 the fair value of the preference shares is deemed to be their carrying value as supported by independent third party sale that occurred 56 days earlier.

The rights of all classes of shares are set out below:

Voting

The Ordinary Shares shall confer on each holder the right to receive notice of,and to attend , speak and vote at any general meeting of the Company except that, in respect of any general meeting at which a director is elected or removed, the holders of the Ordinary Shares shall only be entitled to exercise 75% of the total number of votes in respect of any resolution to elect or remove a director and for these purposes, each holder of Ordinary Shares shall have one vote for each Ordinary Share.

The holders of the Preference Shares shall not be entitled to receive notice of, or attend and speak at or vote at any general meeting of the Company.

The holders of the T Shares shall not be entitled to receive notice of, or attend and speak at or vote at any general meeting of the Company, except that the holders of the T Shares shall:

a) have the right to receive notice of, and to attend, any general meeting of the Company at which a resolution to elect or remove a director will be proposed, and

b) in respect of any such resolutions , have the right to speak and exercise 25% of the total number of votes and for these purposes, each holder of the T Shares shall have one vote for each T Share.

Dividends

The profits of the Company available for distribution and resolved to be distributed shall be distributed as follows:

a) the holders of the Ordinary Shares and Preference Shares pro rata to the number of Ordinary Shares and Preference Shares held by them respectively, and

b) the holders of the T Shares shall receive dividends as and when declared by the board of directors.

Return of capital

On a return of capital on liquidation, reduction of capital or otherwise (other than on a redemption or purchase of shares), the balance of any assets available for distribution shall be distributed among the holders of the Shares in the following priority:

a) first, in paying to each holder of Shares, in respect of each Share a sum equal to the issue price, and

b) thereafter, of the balance remaining, to the holders of the Ordinary Shares and Preference Shares only (and not to any holders of the T Shares) pro rata to the number of Ordinary Shares and Preference Shares.

18. NOTES TO THE CASHFLOW STATEMENT

Group

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Loss for the period	(46,662)	(16,087)
Adjustments for:		
Depreciation of property, plant and equipment (Note 10)	1,087	1,033
Amortisation of intangible assets (Note 9)	3,316	3,294
Release of deferred consideration	—	(5,200)
Interest receivable	(44)	(127)
(Profit) / loss on sale of property, plant and equipment	(14)	314
Loss on sale of intangible assets	82	131
Tax (credit) / expense	(3,634)	1,874
Finance costs	122,953	63,931
	77,084	49,163
Increase in portfolio investments	(124,025)	(92,889)
Increase in trade and other receivables	(3,840)	(14,229)
(Decrease) / increase in trade and other payables	(5,315)	17,123
Cash generated from operating activities	(56,096)	(40,832)
Interest paid	(75,271)	(38,954)
Income taxes paid	(964)	(1,461)
Income taxes refunded	3,576	—
Net cash from operating activities	**(128,755)**	**(81,247)**

	31 Dec 2015 £000	30 Sept 2014 £000
Cash and bank balances	15,071	34,373

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

18. NOTES TO THE CASHFLOW STATEMENT (Continued)

Company

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Loss for the period	(35,672)	(34,384)
Adjustments for:		
Interest receivable	—	(5)
Finance costs	33,520	27,902
Tax credit	(373)	—
	(2,525)	(6,487)
Decrease / (increase) in trade and other receivables	5,144	(2,735)
(Decrease) / increase in trade and other payables	(3,074)	9,365
Net cash from operating activities	**(455)**	**143**

	31 Dec 2015 £000	30 Sept 2014 £000
Cash and bank balances	240	695

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

19. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Lease payments under operating leases recognised as an expense in the period	2,111	2,233

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 Dec 2015 £000	30 Sept 2014 £000
No later than one year	1,190	1,275
Later than one year and no later than five years	4,978	4,622
Later than five years	4,300	5,898
	10,468	11,795

Operating lease payments represent rentals payable by the Group for certain of its office properties.

The main property lease has been negotiated for a lease term of 15 years, commencing on 9 December 2013, with the option to break, free of charge, after 10 years.

The other property leases are for periods of one to three years with various options for breaks.

20. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of its operations in the UK. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of £469k (year ended 30 September 2014: £310k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

As at 31 December 2015, contributions of £140k (30 September 2014: £66k) due in respect of the current reporting period had not been paid over to the schemes.

21. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Categories of financial instruments

Group

	31 Dec 2015 £000	30 Sept 2014 £000
Financial assets		
Cash and cash equivalents	15,071	34,373
Loans and receivables	492,302	368,277
Trade and other receivables	34,327	33,153
Financial liabilities		
Borrowings	(536,560)	(650,023)
Borrowings—Revolving Credit Facility (RCF)	(10,012)	—
Trade and other payables	(22,222)	(36,909)
Tax liability	—	(51)

Company

	31 Dec 2015 £000	30 Sept 2014 £000
Financial assets		
Cash and cash equivalents	240	695
Trade and other receivables	56	5,200
Financial liabilities		
Borrowings	(33,050)	(268,600)
Trade and other payables	(3,748)	(10,968)

Financial risk management objectives

As a result of its normal business activities, the Company and Group has exposure to the following risks:

- Credit risk

21. FINANCIAL INSTRUMENTS (Continued)

- Liquidity risk
- Operational risk
- Market risk
- Conduct risk
- Interest rate risk
- Capital management risk
- Fair value estimation risk

This note presents information about the exposure of the Company and Group to each of the above risks, the Company's and Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Company and Group manages these risks through the Board of Directors.

The Group has no significant exposure in foreign currency and does not hold any speculative foreign exchange positions. The Group has a number of foreign suppliers who invoice in foreign currency. The total amount invoiced in foreign currency is not significant and is not considered material by the Group. The Company has no exposures in foreign currency.

The Company and Group have no exposure to equity markets and do not hold any speculative equity positions.

Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The credit risk from the concentration of customers is limited due to the high number of individual customers and the relatively low value of each of the individual's debts. At 31 December 2015 the Group had 19.6m individual customer accounts, of those 10.6m were still open and of those 1.3m made at least one payment during the last 12 months. The average balance on a customer account at 31 December 2015 was £697.

The Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. All portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The on-going risk is managed through utilising a comprehensive portfolio valuation model and building current expectations of recoverability from historical information on debt types and customers into pricing assumptions and models. A pricing committee is in place which is attended by at least two members of the Executive Board as well as other key members from all areas of the business.

This committee is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Default rate is the most relevant measure of credit risk and the Group monitors this on an on-going basis. The default rate at 31 December 2015 is 8.56% (30 September 2014: 9.31%). The default rate is based on those accounts that we classify as paying and is calculated using the monetary value of payments collected during a month, against the payment plans that was in place at the start of the month. (For example : if an account had a payment plan in place at the start of the month of £20 per month, but actually only paid £10 during the month, then the default rate would be 50%.).

The carrying amount of financial assets recorded in these financial statements represents the Group's maximum exposure to credit risk. These portfolios are performing in line with the Group's expectations,

21. FINANCIAL INSTRUMENTS (Continued)

but are in default relative to the original contractual terms between the debtor and the third party from whom the Group acquired the debt. The Group does not hold any collateral in respect of its receivables.

The Group's maximum exposure to credit risk as at 31 December 2015 is £541.7m (30 September 2014: £435.8m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

The Company's maximum exposure to credit risk as at 31 December 2015 is £0.3m (30 September 2014: £5.9m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

Liquidity risk management

Liquidity risk is the risk of the Company and the Group being unable to meet its financial obligations as they fall due, due to insufficient cash, cash equivalents and available drawings. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's or the Group's reputation.

The Company and the Garfunkelux Group manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 31 December 2015, the Garfunkelux Group, and as a result Metis Bidco Limited group, had available undrawn committed borrowing facilities. See Note 15 for further details on banking facilities.

The following tables show the Group's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates:

As at 31 December 2015

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Loan Notes 2021	15.25	29,184	54,764	—	—	—	54,764
Loan Notes	—	3,866	3,866	3,866	—	—	—
Parent Loan	10.00	503,510	889,467	27,223	24,636	197,084	640,524
RCF	4.00	10,012	10,012	10,012	—	—	—
Other liabilities	—	22,222	22,222	22,222	—	—	—
Total liabilities		568,794	980,331	63,323	24,636	197,084	695,288

As at 30 September 2014

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Notes	9.31	381,423	553,434	18,159	18,159	517,116	—
Preference shares	15.25	242,777	418,670	—	—	—	418,670
Loan Notes 2021	15.25	25,823	54,764	—	—	—	54,764
Other liabilities	—	36,960	36,960	36,960	—	—	—
Total liabilities		686,983	1,063,828	55,119	18,159	517,116	473,434

Notes: Includes loan principal outstanding and accrued interest. The Notes were fully repaid on 13 Oct 2015 (see Note 15 for further details).

21. FINANCIAL INSTRUMENTS (Continued)

Preference shares: The rights attached to the Preference Shares were amended with effect from 8 December 2015. This has resulted in them being classified as equity share capital rather than as borrowings (financial instruments). See Notes 15 and 17 for further details.

Parent Loan: Includes loan principal outstanding and accrued interest. For further details see Note 15, caption ‘‘Loan with immediate parent undertaking’’ .

Loan Notes 2021 and Loan Notes: Includes loan principal outstanding and accrued interest. For further details see Note 15.

RCF: Includes principal drawdown of £10.0m and accrued interest of £12k.

Other liabilities: this includes ‘‘Trade and other payables’’ and ‘‘Tax liabilities’’.

The following tables show the Company’s gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates:

As at 31 December 2015

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Loan Notes 2021	15.25	29,184	54,674	—	—	—	54,674
Loan Notes	—	3,866	3,866	3,866	—	—	—
Other liabilities	—	3,748	3,748	3,748	—	—	—
Total liabilities		36,798	62,288	7,614	—	—	54,674

As at 30 September 2014

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Preference shares	15.25	242,777	418,670	—	—	—	418,670
Loan Notes 2021	15.25	25,823	54,764	—	—	—	54,764
Other liabilities	—	10,968	10,968	10,968	—	—	—
Total liabilities		279,568	484,402	10,968	—	—	473,434

Preference shares: The rights attached to the Preference Shares were amended with effect from 8 December 2015. This has resulted in them being classified as equity share capital rather than as borrowings (financial instruments). See Notes 15 and 17 for further details.

Loan Notes 2021 and Loan Notes: see Note 15 for further details.

Other liabilities: includes ‘‘Trade and other payables’’.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company’s and the Group’s short, medium and long-term funding and liquidity management requirements. The Company and the Group manages liquidity risk by working with the Group Tresury Function responsible for the wider Garfunkelux Group to maintain adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set on the next page.

21. FINANCIAL INSTRUMENTS (Continued)

Group financing facilities

	31 Dec 2015 £000	30 Sept 2014 £000
RCF		
Amount used	10,000	—
Amount unused	137,400	83,000
	147,400	83,000

The Company has no separate financing facilities.

Operational risk

Operational risk is defined by the Company and the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, and the day to day management of operational risk rests with line managers.

Market risk

Market risk is the risk of changes caused by market variables such as prices, type and timing of debt coming to the market, i.e. the cost of consumer debt portfolios.

By only bidding for consumer debt portfolios up to a price that enables the Group to expect a yield high enough to cover all costs of collection and to make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios. The Group uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through a Pricing committee which is attended by at least two members of the executive board.

The Group manages the unpredictability of the market through a number of financing structures. As at 31 December 2015 the group has in place a £492.7m loan with its immediate parent and is also party to a group RCF facility of Euros 200m (see Note 15 for further details). At 31 December 2015 £10m had been drawn on the group RCF facility. This facility allows the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints.

Conduct risk

Conduct risk is the risk to Customers that the controls and operations of the Company and Group fail. The ultimate penalty would be if the FCA deemed the Company's and Group's conduct and customer interaction to be so poor that they sought to impose financial penalty and/or financial redress for customers. The directors are not aware of any indication that this is a possibility and seek to minimise the risk through initiatives such as the FAIR programme, which was launched in December 2013, and brings together work carried out on the six principles of TCF, customer focus behaviour, fair outcomes for customers, assessing affordability and responding to client audits, and helps to minimise this risk.

Interest rate risk

Interest rate risk is the risk of changing interest rates. The Group has minimised its risk against changes in interest rates by being funded by share capital and preference shares (which with effect from 8 December 2015 do not attract a coupon), and from being funded through a loan from its immediate parent and loan notes, that are of fixed interest rates for their whole terms.

21. FINANCIAL INSTRUMENTS (Continued)

The Group's RCF facility has a variable interest rate however at 31 December 2015 only £10m of this facility was drawn (see Note 15 for further details).

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and so to maintain investor, creditor and market confidence. Neither the Parent Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Company and the Group consists of net debt, which includes the borrowings disclosed in Note 15 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained deficit as disclosed in Note 17 and page F-247.

The risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

Group

	31 Dec 2015 £000	30 Sept 2014 £000
Financial assets		
Investments and receivables	526,629	401,430
Total financial assets	526,629	401,430
Financial liabilities		
Financial liabilities measured at amortised cost	(568,794)	(686,983)
Total financial liabilities	(568,794)	(686,983)

Company

	31 Dec 2015 £000	30 Sept 2014 £000
Financial assets		
Receivables	56	5,200
Total financial assets	56	5,200
Financial liabilities		
Financial liabilities measured at amortised cost	(36,798)	(279,568)
Total financial liabilities	(36,798)	(279,568)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the SFP date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at SFP date was outstanding for the whole year. A 2.5% per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change

21. FINANCIAL INSTRUMENTS (Continued)

in interest rates. If interest rates had been 2.5% per cent higher/lower and all other variables were held constant, the Group's movement in the profit for the period ended 31 December 2015 would be £250k (year ended 30 September 2014: £ nil). This is attributable to the Group's exposure to interest rates on its variable rate borrowings

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Group

	Carrying amount		Fair Value	
	31 Dec 2015 £000	30 Sept 2014 £000	31 Dec 2015 £000	30 Sept 2014 £000
Financial assets				
Investments and receivables:				
Portfolio investments	492,302	368,277	498,234	387,177
Trade and other receivables	34,327	33,153	34,327	33,153
Total financial assets	526,629	401,430	532,561	420,330
Financial liabilities				
Financial liabilities measured at amortised cost:				
Senior secured notes	—	(381,423)	—	(408,088)
RCF	(10,012)	—	(10,012)	—
Loan Notes 2021	(29,184)	(25,823)	(29,184)	(25,823)
Loan Notes	(3,866)	—	(3,866)	—
Preference shares (Note A)	—	(242,777)	—	(242,777)
Trade and other payables	(22,222)	(34,175)	(22,222)	(34,175)
Amounts owed to parent	(503,510)	(2,785)	(503,510)	(2,785)
Total financial liabilities	(568,794)	(686,983)	(568,794)	(713,648)

Preference shares: The rights attached to the Preference Shares were amended with effect from 8 December 2015. This has resulted in them being classified as equity share capital rather than as borrowings (financial instruments). See Notes 15 and 17 for further details.

21. FINANCIAL INSTRUMENTS (Continued)

Company

	Carrying amount		Fair Value	
	31 Dec 2015 £000	30 Sept 2014 £000	31 Dec 2015 £000	30 Sept 2014 £000
Financial assets				
Receivables:				
Trade and other receivables	56	5,200	56	5,200
Total financial assets	56	5,200	56	5,200
Financial liabilities				
Financial liabilities measured at amortised cost:				
Loan Notes 2021	(29,184)	(25,823)	(29,184)	(25,823)
Loan Notes	(3,866)	—	(3,866)	—
Preference shares (Note A)	—	(242,777)	—	(242,777)
Trade and other payables	(3,748)	(8,183)	(3,748)	(8,183)
Amounts owed to parent	—	(2,785)	—	(2,785)
Total financial liabilities	(36,798)	(279,568)	(36,798)	(279,658)

Preference shares: See page F-247 for further details.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The acquired portfolio investments fair value is calculated using discounted net 84 month forecast cashflows as detailed above.

For the Group, the fair value of the acquired portfolios is determined using a discounted cashflow model with unobservable inputs and are classified as level 3 measurements. The senior secured notes are publicly traded instruments whose value can be obtained from public sources; as a result these are classified as level 1. The remaining financial assets and liabilities carried have a fair value equal to their carrying value. All of the Company's financial assets and liabilities have a fair value equal to their carrying value.

The fair value of non-financial instruments have been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

The fair value of the portfolios is calculated by discounting the net 84 month forecast cashflows. The unobservable inputs in determining the fair value are the discount rate and service cost percentage. These are 15% and 25% respectively for portfolios that are not deemed as ''paying'' at the point of acquisition and 12% and 10% for portfolios that are deemed as ''paying''. A ''paying'' portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cashflows to net and is based on historical information on costs to collect.

22. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary undertaking of Garfunkelux Holdco 2 S.A, which prepares consolidated financial statements. The consolidated financial statements of Garfunkelux Holdco 2 S.A. are available from the Company's registered office at 488, route de Longwy, L-1940, Luxembourg.

The tables below set out the related party transactions and period end balances between the Company and its related parties and also the Group and its related parties.

Group and Company

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Transactions with related parties		
Preference share coupon—immediate parent undertaking	(30,066)	(24,249)
Preference share coupon—other related parties	—	(968)
Interest charge on Loan Notes 2021—immediate parent undertaking	(3,361)	(2,672)
Interest charge on Loan Notes 2021—other related parties	—	(13)
Interest charge on Loan Notes—immediate parent undertaking	(93)	—

	31 Dec 2015 £000	30 Sept 2014 £000
Period end balances with related parties		
Preference shares—held by immediate parent undertaking	(272,843)	(151,569)
Preference shares—held by other related parties	—	(91,208)
Loan Notes 2021—held by immediate parent undertaking	(29,184)	(16,516)
Loan Notes 2021—held by other related parties	—	(9,307)
Loan Notes (Note B)	(3,866)	—
Loan principal with immediate parent undertaking	(492,711)	—
Loan interest with immediate parent undertaking	(10,799)	—
Simon Bidco Limited (trading) (Note A)	(180)	—
Metis Holdco Limited (group relief)	—	(2,785)
Other related parties (group relief)	—	(1,361)

Note A: This balance is non-interest bearing and repayable on demand (see Note 16).

Note B: These balances are due to the Company's immediate parent undertaking (see Note 15).

In addition, the Company also had the following transactions and period end balances with other related parties.

Company

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Transactions with related parties		
Expenses and costs recharged to Lowell Financial Limited	367	1,286
Expenses and costs recharged to Tocatto Ltd	—	13
Expenses and costs recharged to Fredricksons International Limited	139	384
Expenses and costs recharged to Lowell Solicitors Limited	2	—

22. RELATED PARTY TRANSACTIONS (Continued)

	31 Dec 2015 £000	30 Sept 2014 £000
Period end balances with related parties		
Lowell Portfolio I Ltd (trading) (Note C)	(3,122)	(793)
Lowell Portfolio I Ltd (group relief)	—	1,902
Tocatto Ltd	—	(4)
Fredrickson International Limited	4	(44)
Lowell Financial Ltd (trading) (Note C)	(136)	(260)
Lowell Financial Ltd (group relief)	—	3,244
Lowell Solicitors Ltd (trading) (Note C)	(68)	—

Note C: These balances are non-interest bearing and repayable on demand (see Note 16).

Group

Remuneration of key management personnel

The remuneration of key management personnel of the Group, who are not directors of the Company, is set out below in aggregate for each of the categories specified in IAS 24 (Related Party Disclosures):

	15 months ended 31 Dec 2015 £000	Year ended 30 Sept 2014 £000
Short-term employee benefits	2,148	1,483

The above details relate to six key management personnel who are directors of subsidiary undertakings of the Company. They are paid directors' emoluments by subsidiary companies (Lowell Financial Ltd, Lowell Solicitors Limited or Fredrickson International Limited) for their services to the Group. Emoluments of directors of the Company, who provide services as directors to the Company and the Group, but are paid by the Company or by a subsidiary company (Lowell Financial Ltd) are set out in Note 4d.

23. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Garfunkelux Sarl, which is the ultimate parent company, incorporated in Luxembourg.

The largest group in which the results of the Company are consolidated is that headed by Garfunkelux Holdco 2 S.A., incorporated in Luxembourg. The smallest group in which they are consolidated is that headed by Metis Bidco Limited, incorporated in England and Wales. The consolidated financial statements of Garfunkelux Holdco 2 S.A. and Metis Bidco Limited are each available from their registered offices at 488, route de Longwy, L-1940, Luxembourg and at Ellington House, 9 Savannah Way, Leeds Valley Park West, Leeds, LS10 1AB respectively.

Company No. 07652466

METIS BIDCO LIMITED

Report and Consolidated Financial Statements

Year ended 30 September 2014

METIS BIDCO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, STRATEGIC REPORT AND THE FINANCIAL STATEMENTS

Year ended 30 September 2014

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METIS BIDCO LIMITED

We have audited the financial statements of Metis Bidco Limited for the year ended 30 September 2014 set out on pages F-267 to F-318. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU, and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page F-264, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with International Financial Reporting Standards 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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 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.

Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

28 January 2015

METIS BIDCO LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2014

	Note	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Continuing operations			
Revenue			
Income from portfolio investments	1,14	107,050	93,295
Portfolio write up	1,14	25,338	11,911
Portfolio fair value release	14	(4,882)	(7,268)
Other revenue	1	18,688	6,849
Total revenue		**146,194**	**104,787**
Operating expenses			
Collection activity costs	1	(33,486)	(23,591)
Other expenses	5	(63,117)	(43,374)
Total operating expenses		**(96,603)**	**(66,965)**
Operating profit		**49,591**	**37,822**
Interest income	6	127	206
Finance costs	7	(63,931)	(60,952)
Goodwill impairment	9	—	(785)
Loss before tax	4	**(14,213)**	**(23,709)**
Income tax expense	8	(1,874)	(1,755)
Loss for the period attributable to equity shareholders		**(16,087)**	**(25,464)**
Other comprehensive income		—	—
Total comprehensive expenditure for the period attributable to equity shareholders	20,21	**(16,087)**	**(25,464)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

The notes on pages F-273 to F-318 form part of these financial statements.

METIS BIDCO LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2014

	Note	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Assets				
Non-current assets				
Goodwill	9	169,819	169,819	140,205
Intangible assets	10	5,622	7,434	9,322
Property, plant and equipment	11	3,987	2,072	2,346
Portfolio investments	14	204,600	146,098	119,519
Deferred tax asset	16	250	4,310	930
Total non-current assets		**384,278**	**329,733**	**272,322**
Current assets				
Portfolio investments	14	163,677	129,290	105,670
Trade and other receivables	15	33,153	14,796	9,226
Cash and cash equivalents	22	34,373	15,303	9,020
Total current assets		**231,203**	**159,389**	**123,916**
Total assets		**615,481**	**489,122**	**396,238**
Equity				
Share capital	19	1,295	1,230	1,212
Share premium		69	69	6
Retained deficit	20	(72,866)	(56,779)	(31,315)
Total deficit attributable to shareholders	21	**(71,502)**	**(55,480)**	**(30,097)**
Liabilities				
Non-current liabilities				
Borrowings	17	650,023	508,344	403,089
Current Liabilities				
Trade and other payables	18	36,909	25,774	11,202
Borrowings	17	—	10,000	9,018
Current tax liabilities		51	484	3,026
Total current liabilities		**36,960**	**36,258**	**23,246**
Total equity and liabilities		**615,481**	**489,122**	**396,238**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 26 January 2015.

Signed on behalf of the Board of Directors by:

J J Cornell
Director
27 January 2015

The notes on pages F-273 to F-318 form part of these financial statements.

METIS BIDCO LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
Year ended 30 September 2014

	Note	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Assets				
Non-current assets				
Investments	12	176,102	176,102	176,102
Current assets				
Trade and other receivables	15	5,200	2,466	2,692
Cash and cash equivalents		695	482	81
Total current assets		**5,895**	**2,948**	**2,773**
Total assets		**181,997**	**179,050**	**178,875**
Equity				
Share capital	19	1,295	1,230	1,212
Share premium		69	69	6
Retained deficit	20	(98,935)	(64,551)	(33,446)
Total deficit attributable to shareholders	21	**(97,571)**	**(63,252)**	**(32,228)**
Liabilities				
Non-current liabilities				
Borrowings	17	268,600	240,698	210,428
Current Liabilities				
Trade and other payables	18	10,968	1,604	675
Total equity and liabilities		**181,997**	**179,050**	**178,875**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 26 January 2015.

Signed on behalf of the Board of Directors by:

J J Cornell
Director
27 January 2015

The notes on pages F-273 to F-318 form part of these financial statements.

METIS BIDCO LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2014

Group

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 September 2012 (Restated*)	**1,212**	**6**	**(31,315)**	**(30,097)**
Loss for the period (Restated*)	—	—	(25,464)	(25,464)
Issuance of shares	18	63	—	81
Balance at 30 September 2013 (Restated*)	**1,230**	**69**	**(56,779)**	**(55,480)**
Loss for the year	—	—	(16,087)	(16,087)
Issuance of shares	65	—	—	65
Balance at 30 September 2014	**1,295**	**69**	**(72,866)**	**(71,502)**

Company

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 September 2012 (Restated*)	**1,212**	**6**	**(33,446)**	**(33,228)**
Loss for the period (Restated*)	—	—	(31,105)	(31,105)
Issuance of shares	18	63	—	81
Balance at 30 September 2013 (Restated*)	**1,230**	**69**	**(64,551)**	**(63,252)**
Loss for the year	—	—	(34,384)	(34,384)
Issuance of shares	65	—	—	65
Balance at 30 September 2014	**1,295**	**69**	**(98,935)**	**(97,571)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

The notes on pages F-273 to F-318 form part of these financial statements.

METIS BIDCO LIMITED

STATEMENT OF CASH FLOWS

Year ended 30 September 2014

Group

	Note	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Net cash from operating activities	22	(81,247)	(57,085)
Investing activities			
Interest received		127	206
Purchase of property, plant and equipment		(3,148)	(916)
Purchase of intangible assets		(1,768)	(1,795)
Proceeds of sale of property, plant and equipment		41	—
Acquisition of subsidiary		—	(29,163)
Net cash from investing activities		(4,748)	(31,668)
Financing activities			
New borrowings		115,000	95,036
Repayment of borrowings		(10,000)	—
New share issue		65	—
Net cash from financing activities		105,065	95,036
Net increase in cash and cash equivalents		19,070	6,283
Cash and cash equivalents at beginning of period		15,303	9,020
Cash and cash equivalents at end of period		34,373	15,303

The notes on pages F-273 to F-318 form part of these financial statements.

METIS BIDCO LIMITED

STATEMENT OF CASH FLOWS (Continued)

Year ended 30 September 2014

Company

	Note	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Net cash from operating activities	22	143	316
Investing activities			
Interest received		5	4
Net cash from investing activities		5	4
Financing activities			
New share issue		65	81
Net cash from financing activities		65	81
Net increase in cash and cash equivalents		213	401
Cash and cash equivalents at beginning of period		482	81
Cash and cash equivalents at end of period		695	482

The notes on pages F-273 to F-318 form part of these financial statements.

1. ACCOUNTING POLICIES

General information and basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). Those standards have been applied consistently to the historical periods.

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been endorsed but are not yet effective for these financial statements.

IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27	Investment entities (amended)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 19 (amended)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (amended)	Requirement for Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (amended)	Novation of Derivatives and Continuation of Hedge Accounting

No new or revised Standards and Interpretations that have been endorsed but are not yet effective in these financial statements are deemed to have a material impact on future financial statements.

The following standard is not yet endorsed however may have a material impact and affect disclosure requirements in future periods:

- IFRS 9—Financial Instruments—will impact the measurement and disclosures for Financial Instruments. The adoption of Effective Interest Rate is thought to be in line with current IFRS 9 guidance however additional disclosure requirements, over and above those from IFRS 7 will be required. In particular more specific disclosures around compliance with applicable regulation and the management of risk. Management are still assessing the impact of IFRS 9 on future periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of each period. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

No Statement of Comprehensive Income is presented for Metis Bidco Limited itself, as permitted by Section 408 of the Companies Act 2006.

Going concern

The Group's business activities are set out in the Statement of Comprehensive Income (SCI) and Statement of Financial Position (SFP) on pages F-267 and F-268. In addition, Note 25 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

1. ACCOUNTING POLICIES (Continued)

The Group is in a net liabilities position as a result of funding structures in place from investment by the immediate parent, Metis Holdco Limited. These funding structures relate to redeemable cumulative preference shares and a shareholder loan (see Note 17 for further details), both of which have a fixed interest rate and are not due to be redeemed until September 2021. The interest due is not payable until the redemption date.

The Adjusted EBITDA of the Group is an industry accepted measure of a business's asset base and cashflow generation. The Group has demonstrated strong growth in Adjusted EBITDA during the year ended 30 September 2014 with the Adjusted EBITDA of £126.1m (13 months ended 30 September 2013 Adjusted EBITDA £119.0m).

The business as a whole is cash generative, receiving £196.8m in gross cash collections for the year ended 30 September 2014 (2013: £173.2m). The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

Other than the funding from the immediate parent the Group has two other sources of funding at 30 September 2014, £390m of listed Senior Secured loan notes (''Notes''), and an £83m Revolving Credit Facility (''RCF''). These are due for repayment on 1 April 2019 and 1 April 2018 respectively. The key covenant for the Loan Notes is the Loan to Value ratio (''LTV'') and for the RCF is the Super Senior Loan to Value ratio (''SSLTV''). The LTV is defined as the Net Debt to estimated remaining collections (''ERC'') and cannot exceed 75%. As at 30 September 2014 the LTV was 50%. The SSLTV is defined as the percentage of utilised RCF to ERC and cannot exceed 25%. At 30 September 2014 the RCF was unutilised. As at 30 September 2014 the gross ERC would need to fall by 34% to £471.1m before the covenant would be breached.

There are long term business plans and short term forecasts in place which are reviewed and updated on a regular basis by management. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing these financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value (see Financial Instruments Note 25). Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from the date of acquisition.

1. ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Total goodwill is tested for impairment annually. Additionally, if there is evidence of impairment in any cash-generating unit (CGU), goodwill allocated to that CGU is also tested for impairment.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On a business combination the portfolio investments are remeasured to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Revenue recognition and effective interest rate method

Finance revenue on acquired portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, net of VAT, all of which arose in the UK. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortised cost using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts 84 months of estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition, (i.e. the price paid to acquire the asset). An initial EIR is determined at the acquisition of the portfolio investment, and then reassessed for up to 12 months after the acquisition to reflect refinements made to estimates of future cash flows based on actual data collected during that time period. It is not subsequently changed and this does not have a material impact on the accounts.

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Upward adjustments to carrying values as a result of reassessments to forecasted cashflows are recognised in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised as a separate Statement of Comprehensive Income (''SCI'') line item.

When an individual portfolio's carrying value is completely recovered, the Group recognises collections as revenue as they are received.

As part of the acquisition accounting around the purchase of Lowell Group Limited by Metis Bidco Limited on 15 September 2011 the portfolio investments were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift (see Note 14). This uplift is being unwound in line with the profile of gross ERC over an 84 month period from the date of

1. ACCOUNTING POLICIES (Continued)

acquisition, in keeping with a standard collection curve profile. This results in over 50% being released in the first 24 months and almost 80% in 48 months.

Other revenue

Other revenue represents amounts receivable for tracing and debt collecting services (commissions) provided to the debt collection industry, net of VAT, all of which arose in the UK. The revenue is recognised when the service is provided (accrual basis) which in this case is when cash is collected from the debtor on behalf of the Group's client.

Impairment of acquired portfolio investments

Acquired portfolio investments are reviewed for indications of impairment at the Statement of Financial Position (''SFP'') date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio investment. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio investment and is included in revenue. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in revenue, up to the point that the reversals equal the previously recognised cumulative revenue. If these reversals exceed the previously recognised cumulative revenue then a provision for impairment is recognised as a separate SCI line item.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's SFP when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Acquired portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the effective interest method.

The portfolio investment asset is analysed between current and non-current in the SFP. The current asset is determined using the expected cash flows arising in the next twelve months after the SFP date. The residual amount is classified as non-current.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables (including Trade receivables) when the recognition of interest would be immaterial.

The Group has forward flow agreements in place in relation to the future acquisition of portfolio investments. The fair value and subsequent amortised cost of portfolios acquired under these agreements are determined on the same basis as the Group's other acquired portfolio investments.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss / SCI (FVTPL), are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

1. ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost using the effective interest method, except for those measured at fair value through SCI, e.g. derivative liabilities.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group historically (prior to 1 September 2012) entered into interest rate caps and interest rate swaps to commercially hedge its exposure to interest rate risk from financing activities. The Group did not and does not hold derivative instruments for trading purposes.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in the SCI immediately. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

As at 30 September 2014 the Group had no outstanding derivative contracts. All contracts matured or were closed out as at 30 March 2012. No other contracts have been entered into since this date.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract. This relates to forward flow contracts (see page F-276).

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in Note 25.

1. ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle that obligation and if a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the SFP date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Litigation costs

Litigation costs represent upfront fees paid during the litigation process. The fees are legally recoverable from the customer and are added to the customer account balance to be recovered at a later date. Litigation costs are deferred to the SFP on initial recognition and released to the SCI in line with the forecast collections profile over seven years.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the SCI because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other

1. ACCOUNTING POLICIES (Continued)

than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Taxation

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each SFP date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the SFP date. Deferred tax is charged or credited in the SCI, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Non-current asset investments

Investments are stated at cost less provision for impairment.

Pensions

The Group operates a number of defined contribution schemes for the benefit of its employees. Contributions payable are charged to the SCI in the period they are payable.

Collection activity costs

Collection activity costs represents the direct third party costs in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognised as the costs are incurred (accruals basis).

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Office equipment	5 years (4 years prior to October 2013)
Fixtures and fittings	5 years (4 years prior to October 2013)
Hardware	5 years (4 years prior to October 2013)
Leasehold improvements	Life of lease (4 years prior to October 2013)

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the SCI.

1. ACCOUNTING POLICIES (Continued)

Intangible assets

Separately acquired or internally generated intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset will be available for use or sale, that there is an intention and ability to use or sell the asset, that it will generate future economic benefit, and that the expenditure attributable to the asset during its development can be measured. Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years (4 years prior to October 2013) Straight line
Licences	3 years (4 years prior to October 2013) Straight line
Development costs	Not amortised
Acquired customer contracts	Expected life of the underlying contract (Collection profile)

Development costs are not amortised until the project they relate to is complete and goes live. Once the project is live the costs are moved from development costs to the relevant category and amortised over the applicable useful economic life.

Assets are reviewed for signs of impairment at least annually and more frequently if necessary. Impairments are recognised where the carrying value of the asset exceeds the future economic benefit.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the Group's financial statements. UK company law and IFRS require the directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently, and make judgements and estimates that are reasonable and prudent.

The judgements and estimates used in applying the Group's accounting policies that are considered by the directors to be the most important to the portrayal of its financial position are detailed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

Revenue recognition

Portfolio investments are acquired from institutions at a substantial discount from their face value and are subsequently measured at amortised cost using the effective interest method.

The EIR is determined as at the time of acquisition of the portfolio and then reassessed and adjusted up to 12 months after the acquisition of the portfolio to reflect refinements made to estimates of future cash flows, based on actual data and analysis considered during that time period. It is not subsequently changed.

The calculation of the EIR for each portfolio is based on the estimation of future cash flows. These cash flows are estimates and are therefore inherently judgemental. These estimates are based upon historical collections data from other portfolios with similar features such as type and quantum of debt, or age.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

A change in EIR of +/− 2.5% has the following impact on the income from portfolio investments:

	Year ended 30 Sept 2014 £000	Restated 13 months ended 30 Sept 2013 £000
Plus 2.5%		
Income from portfolio investments	5,377	4,340
Portfolio write-up	(8,992)	(6,208)
Decrease of income	(3,615)	(1,868)
Minus 2.5%		
Income from portfolio investments	(5,102)	(3,952)
Portfolio write-up	9,063	6,054
Increase of income	3,961	2,102

If the forecast portfolio collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the portfolio and is included in revenue as a portfolio write up.

Impairment of acquired portfolio investments

The portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the initially set EIR. The cash flow forecasts, which represent the undiscounted value of the estimated remaining collections (''ERC'') of our portfolio investments at a given point in time, are calculated over an 84 month period, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model.

The calculation of the ERC for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Goodwill and valuation of intangible assets

The Group capitalises goodwill on the acquisition of businesses as discussed in the significant accounting policies. Goodwill is the excess of the cost of an acquired business over the fair value of its net assets. 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 investment portfolios where valuations reflect estimates of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Calculation of the value in use requires an estimate of future cash flows expected to arise from the reduced cash-generating unit after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgements in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

See Note 9 for further details regarding goodwill.

3. EXPLANATION OF TRANSITION TO IFRS

These financial statements are the first to be presented by Metis Bidco Limited under IFRS. The financial statements for the periods ended 30 September 2013 and 31 August 2012 were both prepared under the UK Companies Act and applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP). The directors have decided that the effective date for the first time adoption of IFRS for these financial statements will be 1 September 2012. Consequently IFRS accounting policies have been applied consistently for the period ended 30 September 2013.

3.1 Adjustments to profit attributable to shareholder and shareholder's equity

a) Acquired portfolio investment accounting

Portfolio investments were previously accounted for using the fair value option under FRS 26. However in order to better represent the nature of the underlying transactions and business model of the Group, on transition to IFRS a policy of amortised cost, under IAS 39 (Financial Instruments), has been adopted.

b) Reversal of goodwill amortisation

Goodwill was previously amortised under UK GAAP. This is not permitted under IFRS so the previously amortised amounts have been reversed.

c) Identification of separable intangible assets

IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets) require recognition of identifiable, separable intangible assets prior to recognising goodwill from a business combination. The intangible assets that have been identified from past business combinations have been separated out, reclassified and amortised over their useful economic lives.

d) Expenditure of capitalised costs

Costs in relation to business combinations were previously capitalised under UK GAAP as part of the recognised goodwill. IFRS is more restrictive on this matter and any costs that did not meet the capitalisation criteria in IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets) have been expensed.

e) Reclassifications

i) Under UK GAAP portfolio investments were recognised within current assets however under IFRS they have been split between current and non-current assets.

ii) Software and development costs were previously classified as tangible assets under UK GAAP. Such costs have been reclassified to intangible assets with corresponding depreciation having been reclassified to amortisation as per IAS 38 (Intangible Assets).

iii) Upfront set up fees and any premium paid for the listed Loan Notes have been reclassified to Borrowings under the amortised cost method.

iv) Under UK GAAP corporation tax is recognised within creditors falling due within one year however under IFRS it has been separately disclosed on the face of the SFP within current liabilities.

v) Under UK GAAP RCF borrowings were recognised within creditors falling due within one year however under IFRS it has been separately disclosed on the face of the SFP within current liabilities.

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

f) Deferred tax adjustments

Under UK GAAP, deferred tax assets were classified as current assets. Under IFRS they are classified as non-current assets.

g) Goodwill impairment

As at 30 September 2013 the goodwill within Tocatto Ltd was fully written down under UK GAAP. As a result of the IFRS conversion the previous amortisation was reversed leaving an outstanding balance at 30 September 2013. An impairment review was carried out as at 30 September 2013 that resulted in the goodwill balance being written down to £nil. The goodwill was assessed to have no value as Tocatto Ltd continued to make losses and a decision to close the business down was made by the directors in December 2013.

3.2 Reconciliation of loss under UK GAAP to total comprehensive expenditure under IFRS

Group

13 months to 30 September 2013

	UK GAAP £000	Porftolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclassifications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
Revenue									
Income from portfolio investments	173,684	(80,389)	—	—	—	—	—	—	93,295
Portfolio write up	10,997	914	—	—	—	—	—	—	11,911
Portfolio fair value release	—	(7,268)	—	—	—	—	—	—	(7,268)
Amount of acquisition cost recovered	(74,527)	74,527	—	—	—	—	—	—	—
Other revenue	6,849	—	—	—	—	—	—	—	6,849
Total revenue	**117,003**	**(12,216)**	**—**	**—**	**—**	**—**	**—**	**—**	**104,787**
Collection activity costs	(23,591)	—	—	—	—	—	—	—	(23,591)
Other operating expenses	(49,310)	—	9,479	(2,710)	(833)	—	—	—	(43,374)
Total operating expenses	**(72,901)**	**—**	**9,479**	**(2,710)**	**(833)**	**—**	**—**	**—**	**(66,965)**
Operating profit / (loss)	**44,102**	**(12,216)**	**9,479**	**(2,710)**	**(833)**	**—**	**—**	**—**	**37,822**
Interest income	944	—	—	—	—	(738)	—	—	206
Finance costs	(61,690)	—	—	—	—	738	—	—	(60,952)
Goodwill impairment	—	—	—	—	—	—	—	(785)	(785)
Loss before tax	**(16,644)**	**(12,216)**	**9,479**	**(2,710)**	**(833)**	**—**	**—**	**(785)**	**(23,709)**
Income tax expense	(4,752)	2,096	—	767	—	—	6	128	(1,755)
Loss for the period attributable to equity shareholders	**(21,396)**	**(10,120)**	**9,479**	**(1,943)**	**(833)**	**—**	**6**	**(657)**	**(25,464)**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive deficit for the period attributable to equity shareholders	**(21,396)**	**(10,120)**	**9,479**	**(1,943)**	**(833)**	**—**	**6**	**(657)**	**(25,464)**

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Group

As at 30 September 2013

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclassifications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
Non-current assets									
Goodwill	174,249	234	17,447	(8,553)	(12,807)	—	34	(785)	169,819
Intangible assets	—	—	—	4,798	—	2,636	—	—	7,434
Property, plant and equipment	4,708	—	—	—	—	(2,636)	—	—	2,072
Portfolio investments	—	(44,773)	—	—	—	190,871	—	—	146,098
Deferred tax asset	—	4,815	—	(960)	—	473	(18)	—	4,310
	178,957	**(39,724)**	**17,447**	**(4,715)**	**(12,807)**	**191,344**	**16**	**(785)**	**329,733**
Current assets									
Portfolio investments	299,465	20,696	—	—	—	(190,871)	—	—	129,290
Trade and other receivables	22,623	—	—	—	—	(7,827)	—	—	14,796
Cash and cash equivalents	15,303	—	—	—	—	—	—	—	15,303
Total assets	**516,348**	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**(7,354)**	**16**	**(785)**	**489,122**
Equity									
Share capital	1,230	—	—	—	—	—	—	—	1,230
Share premium	69	—	—	—	—	—	—	—	69
Retained deficit	(36,907)	(19,028)	17,447	(4,715)	(12,807)	—	16	(785)	(56,779)
	(35,608)	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**—**	**16**	**(785)**	**(55,480)**
Non-current liabilities									
Borrowings	515,698	—	—	—	—	(7,354)	—	—	508,344
	515,698	**—**	**—**	**—**	**—**	**(7,354)**	**—**	**—**	**508,344**
Current liabilities									
Trade and other payables	36,258	—	—	—	—	(10,484)	—	—	25,774
Borrowings	—	—	—	—	—	10,000	—	—	10,000
Current tax liabilities	—	—	—	—	—	484	—	—	484
Total equity and liabilities	**516,348**	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**(7,354)**	**16**	**(785)**	**489,122**

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Group

As at 1 September 2012

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclassifications £000 e)	Deferred tax £000 f)	IFRS £000
Non-current assets								
Goodwill	152,728	2	7,968	(8,553)	(11,974)	—	34	140,205
Intangible assets	—	—	—	7,508	—	1,814	—	9,322
Property, plant and equipment	4,160	—	—	—	—	(1,814)	—	2,346
Portfolio investments	—	(48,743)	—	—	—	168,262	—	119,519
Deferred tax asset	—	2,660	—	(1,727)	—	149	(152)	930
	156,888	**(46,081)**	**7,968**	**(2,772)**	**(11,974)**	**168,411**	**(118)**	**272,322**
Current assets								
Portfolio investments	236,759	37,173	—	—	—	(168,262)	—	105,670
Trade and other receivables	16,714	—	—	—	—	(7,488)	—	9,226
Cash and cash equivalents	9,020	—	—	—	—	—	—	9,020
Total assets	**419,381**	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**(7,339)**	**(118)**	**396,238**
Equity								
Share capital	1,212	—	—	—	—	—	—	1,212
Share premium	6	—	—	—	—	—	—	6
Retained deficit	(15,511)	(8,908)	7,968	(2,772)	(11,974)	—	(118)	(31,315)
	(14,293)	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**—**	**(118)**	**(30,097)**
Non-current liabilities								
Borrowings	410,428	—	—	—	—	(7,339)	—	403,089
	410,428	**—**	**—**	**—**	**—**	**(7,339)**	**—**	**403,089**
Current liabilities								
Trade and other payables	23,246	—	—	—	—	(12,044)	—	11,202
Borrowings	—	—	—	—	—	9,018	—	9,018
Current tax liabilities	—	—	—	—	—	3,026	—	3,026
Total equity and liabilities	**419,381**	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**(7,339)**	**(118)**	**396,238**

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Company

As at 1 September 2013

	UK GAAP £000	Capitalised costs £000 d)	IFRS £000
Non-current assets			
Investments	188,076	(11,974)	176,102
Current assets			
Trade and other receivables	2,466	—	2,466
Cash and cash equivalents	482	—	482
Total current assets	**2,948**	**—**	**2,948**
Total assets	**191,024**	**(11,974)**	**179,050**
Equity			
Share capital	1,230	—	1,230
Share premium	69	—	69
Retained deficit	(52,577)	(11,974)	(64,551)
	(51,278)	**(11,974)**	**(63,252)**
Non-current liabilities			
Borrowings	240,698	—	240,698
Current liabilities			
Trade and other payables	1,604	—	1,604
Total equity and liabilities	**191,024**	**(11,974)**	**179,050**

There is only one adjustment required to the Company's UK GAAP profit and loss account to arrive at the IFRS Statement of Comprehensive Income. This occurs during the 15 months ended 31 August 2012 and relates to the £12m costs incurred on a business combination that were previously capitalised under UK GAAP but under IFRS are expensed. See page F-287 for further details.

3. EXPLANATION OF TRANSITION TO IFRS (Continued)

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Company

As at 1 September 2012

	UK GAAP £000	Capitalised costs £000 d)	IFRS £000
Non-current assets			
Investments	188,076	(11,974)	176,102
Current assets			
Trade and other receivables	2,692	—	2,692
Cash and cash equivalents	81	—	81
Total current assets	**2,773**	**—**	**2,773**
Total assets	**190,849**	**(11,974)**	**178,875**
Equity			
Share capital	1,212	—	1,212
Share premium	6	—	6
Retained deficit	(21,472)	(11,974)	(33,446)
	(20,254)	**(11,974)**	**(32,228)**
Non-current liabilities			
Borrowings	210,428	—	210,428
Current liabilities			
Trade and other payables	675	—	675
Total equity and liabilities	**190,849**	**(11,974)**	**178,875**

There is only one adjustment required to the Company's UK GAAP profit and loss account to arrive at the IFRS Statement of Comprehensive Income. This occurs during the 15 months ended 31 August 2012 and relates to the £12m costs incurred on a business combination that were previously capitalised under UK GAAP but under IFRS are expensed.

4. LOSS BEFORE TAX

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period is after charging/(crediting):		
Release of contingent consideration obligation (Note 18)	(5,200)	—
Impairment of goodwill (Note 9)	—	785
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Loss on disposal of property, plant and equipment (Note 11)	314	—
Loss on disposal of intangible assets (Note 10)	131	—
Staff costs (Note 5c)	35,681	25,039
Rentals under operating leases (Note 23)	2,233	1,098

5. STAFF COSTS AND OTHER OPERATING EXPENSES

a) Other operating expenses

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Staff costs (Note 5c)	35,681	25,039
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Other	23,109	13,128
Total other operating expenses	**63,117**	**43,374**

b) Auditor's remuneration

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Audit of Parent Company and consolidated financial statements	3	4
Audit of financial statements of subsidiaries	67	87
Other services	1,032	—
Total auditor's remuneration	**1,102**	**91**

Other services comprise corporate finance consultancy and assurance services provided to the Group.

The extent of non-audit services fees payable are reviewed by the Audit Committee in the context of the fees paid by the Group to its other advisors during the period. The Committee also reviews the nature and extent of the non-audit services to ensure that independence is maintained.

c) Staff costs

The average number of employees (including executive directors) was:

	Year ended 30 Sept 2014 Number	13 months ended 30 Sept 2013 Number
Customer account associates	548	310
Other operational staff	244	231
Business support	288	199
Total	**1,080**	**740**

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Wages and salaries	32,071	22,541
Social security costs	3,300	2,387
Pension costs (Note 24)	310	111
Total	**35,681**	**25,039**

5. STAFF COSTS AND OTHER OPERATING EXPENSES (Continued)

d) Directors' remuneration

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Directors' remuneration		
Directors' emoluments to current directors	518	557
Company contributions to defined contribution scheme	2	1
	520	**558**

The emoluments listed above relate to JJ Cornell and A R Hill, who are directors of the Company. JJ Cornell is paid by a subsidiary undertaking of the Company (Lowell Financial Ltd) for his services as a director to the Company and the Group. A R Hill is paid by the Company for his services as a director to the Company and the Group. The above does not include any emoluments for M Dale, T J H Large, J B Rosen, B J Thompson, I A Kennedy and M Teubner who are paid by a parent undertaking for their services to the Group.

Emoluments paid to other key employees who are not directors of this Company but are directors of subsidiaries of the Company are detailed in Note 26. These five employees are paid by a subsidiary undertaking of the Company (Lowell Financial Ltd) for their services as directors to the Group.

The aggregate of emoluments of the highest paid director was £370.4k (2013: £402.7k) and company pension contributions of £2.1k (2013: £0.2k) were made to a defined contribution scheme on their behalf.

The number of directors who have benefits accruing under defined contribution pension schemes is one (2013: one).

e) Holiday pay

In 2014, a European Court of Justice ruling indicated that, under the European Working Time Directive, 'normal pay' for the purposes of calculating statutory holiday pay includes contractual overtime and commission, rather than being limited to basic salary. On 4 November 2014 a UK Employment Tribunal, considering the implications for UK employers, under the Working Time Regulations 1998, ruled that overtime pay should be included in calculating holiday pay. A UK Employment Appeal Tribunal is also considering whether commission payments should be included in the calculation and is expected to conclude in 2015. As a result of these tribunals, there is a possibility that workers and employees may seek compensation for a shortfall in their holiday pay in prior years. This gives rise to a possible obligation for the Group. The directors do not consider any compensation required to be a material amount, particularly as any claims are likely to be capped at two years.

6. INTEREST INCOME

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Bank interest receivable	127	206

7. FINANCE COSTS

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Interest payable on the £200m Notes	21,500	23,292
Fees payable on the £200m Notes	1,152	1,297
Interest payable on the £75m Notes	8,062	5,151
Fees payable on the £75m Notes	242	156
Release of premium on £75m Notes (Note A)	(1,161)	(738)
Interest payable on the £115m Notes	3,754	—
Fees payable on the £115m Notes	326	—
Interest payable on preference shares to Metis Holdco Limited	24,249	26,661
Interest payable preference shares to other parties	968	703
Interest payable on loan notes to Metis Holdco Limited	2,672	2,906
Interest payable on loan notes to other parties	13	—
Interest and fees payable on revolving credit facility	2,154	1,524
	63,931	**60,952**

Note A: The £75m Notes were issued at a premium of £7.125m (cash raised £82.125m; Notes outstanding £75m). The premium is being released to the SCI over the term of the £75m Notes. For further details on the borrowing facilities and premium see Notes 17 and 18 respectively.

8. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Current taxation		
UK corporation tax	(2,164)	5,313
Adjustment in respect of previous periods	(22)	(97)
Total current tax (credit) / charge	(2,186)	5,216
Deferred tax		
Origination and reversal of temporary differences	4,469	(4,136)
Prior period adjustment	(3)	(8)
Change in estimate of recoverable deferred tax	—	(42)
Impact of change in tax rate	(406)	725
Total deferred tax charge / (credit) (Note 16)	4,060	(3,461)
Total tax expense	**1,874**	**1,755**

The Finance Act 2013 was substantively enacted on 2 July 2013 and provided for a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and by a further 1% to 20% from 1 April 2015. Accordingly both of these rate reductions have been reflected in the financial statements.

8. INCOME TAX (Continued)

b) Reconciliation of effective tax rate

The tax assessed for the year is higher (13 months ended 30 September 2013: higher) than the standard effective rate of corporation tax in the UK for the year ended 30 September 2014 of 22.00% (13 months ended 30 September 2013: 23.54%) The differences are explained below:

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Loss on ordinary activities before tax	(14,213)	(23,709)
Tax credit on loss on ordinary activities at standard UK corporation tax rate of 22.00% (13 months ended 30 September 2013: 23.54%)	(3,127)	(5,581)
Effects of:		
Expenses not deductible for tax purposes	6,717	6,754
Income not taxable for tax purposes	(1,144)	—
Effects of other tax rates	(547)	726
Adjustment to tax charge in respect of previous periods	(25)	(105)
Change in estimate of recoverable deferred tax asset	—	(42)
Group relief paid for	—	3
Total tax expense	**1,874**	**1,755**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

9. GOODWILL

	Total £000
Cost	
At 1 September 2012	140,205
Addition on acquisition of Interlaken Group on 16 May 2013 (Note 13)	30,399
At 30 September 2013 and 2014	170,604
Impairment	
At 1 September 2012	—
Charge for the period—Tocatto Limited	(785)
At 30 September 2013 and 2014	(785)
Net book value	
At 30 September 2014	169,819
At 30 September 2013	169,819
At 1 September 2012	140,205

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

An impairment review was carried out as at 30 September 2013 that resulted in the goodwill balance relating to Tocatto Ltd being written down to £nil. The goodwill was assessed to have no value as Tocatto Ltd continued to make losses and a decision to close the business down was made by the directors in December 2013.

9. GOODWILL (Continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to two aggregated CGU 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). The two CGU's identified are Lowell Group, comprising of all group companies other than those within the Interlaken Group, which represent the cash flows generated from collections on acquired portfolio investments, and Interlaken Group, consisting of Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited, which represents cashflows generated from collections of third party debt.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGUs is determined as the higher of fair value less cost to sell and value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to collections and direct costs during the period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rate used to discount the forecast cash flows for the CGU's are based upon the Group's weighted average cost of capital (''WACC'') and are as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Lowell Group CGU	11.81%	13.66%	13.81%
Interlaken Group CGU	19.57%	18.68%	—

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 for the following two years at a flat rate. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures. As at 30 September 2014 the five year forecast assumed acquisitions growth of between 9% and 11% per annum, which is in keeping with the directors' expectations of market growth.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value.

Lowell Group CGU

Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 30 September 2014, (41% at 30 September 2013 and 35% at 1 September 2012).

Interlaken Group CGU

Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 30 September 2014, (13% at 30 September 2013).

10. INTANGIBLE ASSETS

Group

	Software and licences £000	Development costs £000	Acquired customer contracts £000	Total £000
Cost				
At 1 September 2012	2,790	—	11,404	14,194
Acquisition of subsidiary (Note 13)	56	—	—	56
Additions	1,795	—	—	1,795
At 30 September 2013	4,641	—	11,404	16,045
Additions	271	1,497	—	1,768
Reclassification	1,138	(1,293)	—	(155)
Disposals	(1,829)	—	—	(1,829)
At 30 September 2014	4,221	204	11,404	15,829
Accumulated amortisation				
At 1 September 2012	(976)	—	(3,896)	(4,872)
Charge for the period	(1,029)	—	(2,710)	(3,739)
At 30 September 2013	(2,005)	—	(6,606)	(8,611)
Charge for the year	(1,625)	—	(1,669)	(3,294)
Disposals	1,698	—	—	1,698
At 30 September 2014	(1,932)	—	(8,275)	(10,207)
Net book value				
At 30 September 2014	2,289	204	3,129	5,622
At 30 September 2013	2,636	—	4,798	7,434
At 1 September 2012	1,814	—	7,508	9,322

Reclassifications: Development costs can be a combination of ''Software and Licences'' and ''Property, Plant and Equipment''. When projects go live and development costs are reclassified they are transferred to ''Software and Licences'' or ''Property, Plant and Equipment'' (Note 11).

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 September 2012	33	1,399	2,199	5,189	8,820
Acquisition of subsidiary (Note 13)	11	—	118	149	278
Additions	—	89	738	89	916
At 30 September 2013	44	1,488	3,055	5,427	10,014
Additions	99	2,450	400	199	3,148
Disposals	—	(1,294)	(817)	(1,699)	(3,810)
Reclassification	—	—	155	—	155
At 30 September 2014	143	2,644	2,793	3,927	9,507
Accumulated depreciation					
At 1 September 2012	(18)	(819)	(839)	(4,798)	(6,474)
Charge for the period	(13)	(381)	(766)	(308)	(1,468)
At 30 September 2013	(31)	(1,200)	(1,605)	(5,106)	(7,942)
Charge for the year	(18)	(337)	(546)	(132)	(1,033)
Disposals	—	1,279	525	1,651	3,455
At 30 September 2014	(49)	(258)	(1,626)	(3,587)	(5,520)
Net book value					
At 30 September 2014	94	2,386	1,167	340	3,987
At 30 September 2013	13	288	1,450	321	2,072
At 1 September 2012	15	580	1,360	391	2,346

Reclassifications: Development costs can be a combination of ''Software and Licences'' and ''Property, Plant and Equipment''. When projects go live and development costs are reclassified they are transferred to ''Software and Licences'' or ''Property, Plant and Equipment'' (Note 10).

12. NON-CURRENT ASSET INVESTMENTS

Company

Subsidiary undertakings

	£000
Cost	
At 30 September 2014 and 2013 and 1 September 2012	176,102

12. NON-CURRENT ASSET INVESTMENTS (Continued)

The Company has investments in the following subsidiary undertakings:

Name	Country of incorporation	Principal activity	Ordinary share holding %
Lowell Finance Holdings Limited	UK	Holding company	100*
Lowell Group Financing Plc	UK	Financing	100
Lowell Group Limited	UK	Holding company	100
Lowell Funding Limited	UK	Holding company	100
Lowell Acquisitions Limited	UK	Holding company	100
Lowell Holdings Ltd	UK	Holding company	100
Lowell Finance Ltd	UK	Holding company	100
Lowell Financial Ltd	UK	Consumer debt collection	100
Lowell Portfolio I Ltd	UK	Consumer debt acquisition and collection	100
Tocatto Ltd	UK	Consumer debt collection	100
Lowell Portfolio III Holdings Limited	UK	Holding company	100
Lowell Portfolio III Limited	UK	Dormant	100
Lowell Portfolio IV Holdings Limited	UK	Holding company	100
Lowell Portfolio IV Limited	UK	Dormant	100
Overdales Legal Limited	UK	Dormant	100
Interlaken Group Limited	UK	Holding company	100
Fredrickson International Limited	UK	Consumer debt collection	100
SRJ Debt Recoveries Limited	UK	Consumer debt collection	100

* Held directly by the Company.

All subsidiaries are included in the consolidation.

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. Further details of the acquisition are set out in Note 13.

13. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. The consideration paid was £29.9m cash, with potential contingent consideration of £5.2m payable in cash on achievement of certain revenue stream targets. The potential undiscounted amount of all future payments that could be required under the contingent consideration is between £nil and £5.2m. The fair value of the contingent consideration was calculated by estimating the probability of achieving the defined revenue targets.

During the year ended 30 September 2014 it was assessed that these revenue targets will not be achieved and the decision was taken to release the contingent consideration to the SCI (see Notes 4 and 18).

In addition, the Group incurred professional fees of £0.8m on the acquisition of Interlaken Group Limited.

The acquisition of Interlaken Group Limited has been accounted for by the acquisition method of accounting. Included below is a fair value adjustment which has been made to the portfolio investments acquired by aligning the valuation method with that used by Lowell Portfolio I Ltd. This resulted in an

13. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (Continued)

increase in the portfolio value of £0.4m. The tax effect of this adjustment is an additional tax charge of £0.1m (deferred tax liability).

	£000
Assets and liabilities acquired at fair value:	
Intangible assets (Note 10)	56
Property, plant & equipment (Note 11)	278
Portfolio investments (Note 14)	999
Trade and other receivables	4,197
Cash	827
Trade and other payables	(1,427)
Payables: deferred tax liability (Note 16)	(140)
	4,790
Goodwill (Note 9)	30,399
Consideration	35,189

The goodwill arising and the justification for the acquisition can be attributed to a combination of how Interlaken's debt management capability aids Lowell Portfolio I's acquisition ambitions, the value of the workforce, the going concern of the business, and expectations of future growth. These items were not recognised as separate assets due to their insignificant nature and/or non-qualification for recognition as separate intangible assets under IFRS.

Trade receivables had a gross contractual value of £4.2m, and the best estimate at the acquisition date of contractual cash flows not expected to be collected was £nil.

In its last financial year ended 31 March 2013 the Consolidated Profit and Loss Account of Interlaken Group Limited showed a loss after tax of £0.6m.

For the period since acquisition on 16 May 2013 to 30 September 2013, the consolidated unaudited management accounts of Interlaken Group Limited showed the following:

	£000
Turnover	6,933
Gross Profit	2,897
Profit before taxation	130

If the acquisition of Interlaken Group Limited had been completed on the first day of the financial period on 1 September 2012, Group revenues for the period would have been £12.4m, and group profit after tax would have been £50k.

14. PORTFOLIO INVESTMENTS

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Portfolio investments	204,600	146,098	119,519
Current			
Portfolio investments	163,677	129,290	105,670
Total	**368,277**	**275,388**	**225,189**

14. PORTFOLIO INVESTMENTS (Continued)

The movements in acquired portfolio investments were as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
As at the period brought forward	275,388	225,189	—
Portfolios acquired during the period	162,209	124,447	90,682
Portfolios acquired through acquisitions	—	999	189,295
Collections in the period	(196,826)	(173,185)	(135,902)
Income from portfolio investments	107,050	93,295	68,649
Portfolio fair value release	(4,882)	(7,268)	(8,777)
Portfolio write-up	25,338	11,911	21,242
As at the period end	**368,277**	**275,388**	**225,189**

15. TRADE AND OTHER RECEIVABLES

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Trade receivables	2,176	2,961	126
Litigation deferred costs	14,410	2,888	—
Other receivables	6,162	3,706	4,719
Prepayments and accrued income	6,818	5,070	4,381
Directors' loans (Note A)	—	171	—
Corporation tax recoverable	3,587	—	—
	33,153	**14,796**	**9,226**

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Amounts owed by group undertakings (Note B)	5,146	2,245	2,577
Other receivables	18	18	18
Other taxes and social security	—	—	59
Prepayments and accrued income	—	32	38
Directors' loans (Note A)	—	171	—
Corporation tax recoverable	36	—	—
	5,200	**2,466**	**2,692**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Note A: All directors loans were repaid in full during the year ended 30 September 2014.

Note B: These balances are non- interest bearing and repayable on demand.

16. DEFERRED TAX

Group

The following are the major deferred tax assets / (liabilities) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £000	Short term timing differences £000	Deferred tax on losses £000	Total £000
At 1 September 2012	382	548	—	930
Credited to the income statement*	267	3,194	—	3,461
Credited to goodwill (Note A)	—	59	—	59
Deferred tax acquired in the period (note 13)	(140)	—	—	(140)
At 30 September 2013	509	3,801	—	4,310
Credited/(charged) to the income statement*	467	(6,615)	2,088	(4,060)
At 30 September 2014	**976**	**(2,814)**	**2,088**	**250**

Note A: Deferred tax charged/(credited) to goodwill represents deferred tax adjustments to the acquired balance sheet as a result of converting to IFRS. These adjustments have altered the net assets acquired and consequently the goodwill arising on the relevant acquisition.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

* See Note 8.

17. BORROWINGS

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Unsecured borrowing at amortised cost			
Preference shares amounts owed to Metis Holdco Limited	151,569	213,114	184,647
Preference shares amounts owed to other parties	91,208	4,446	5,549
Loan notes owed to Metis Holdco Limited	16,516	23,138	20,232
Loan notes owed to other parties	9,307	—	—
Total unsecured	268,600	240,698	210,428

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Secured borrowing at amortised cost			
Senior secured notes	390,000	275,000	200,000
Prepaid costs on senior secured notes	(8,577)	(7,354)	(7,339)
Total Secured	381,423	267,646	192,661
Total borrowings due for settlement after 12 months	**650,023**	**508,344**	**403,089**
Current			
Unsecured borrowing at amortised cost			
Revolving credit facility	—	10,000	—
Total unsecured	—	10,000	—
Secured borrowing at amortised cost			
Interest on senior secured notes	—	—	9,018
Total Secured	—	—	9,018
Total borrowings due for settlement before 12 months	**—**	**10,000**	**9,018**

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Unsecured borrowing at amortised cost			
Preference shares amounts owed to Metis Holdco Limited	151,569	213,114	184,647
Preference shares amounts owed to other parties	91,208	4,446	5,549
Loan notes owed to Metis Holdco Limited	16,516	23,138	20,232
Loan notes owed to other parties	9,307	—	—
Total unsecured	268,600	240,698	210,428
Total borrowings due for settlement after 12 months	**268,600**	**240,698**	**210,428**

All borrowings are denominated in Sterling.

17. BORROWINGS (Continued)

The other principal features of the Group's borrowings are as follows:

Redeemable Cumulative Preference Shares ("Preference Shares")

The rights attached to the 165,810,093 preference shares, with a nominal value of £1.00 each, are as follows:

Voting

Preference shareholders are entitled to receive notice of and to attend and speak at general meetings of the Company. Preference Shares may not vote at general meetings in respect of their preference shares.

Dividends

Each preference share shall accrue a fixed preferential dividend at 15.25% (non-compounding) of the subscription price per preference share and shall be paid on the date of repayment, redemption or repurchase of the relevant preference share. The right to the preference dividend has priority over the dividend rights of the holders of any other class of share.

Return of capital

On a return of capital on a liquidation, reduction of capital or otherwise, the assets of the Company available for distribution among the shareholders shall be applied in paying to the preference shareholders, in priority to any payment to the holders of any other class of shares: (i) the subscription price in respect of each preference share and (ii) a sum equal to the accrued and unpaid preference dividend calculated to the date of return of capital in accordance with the articles and payable irrespective of whether or not the Company has enough profits available for distribution to pay the accrued and unpaid preference dividend. The preference shares do not confer any further right of participation in the profits or assets of the Company.

The preference shares shall, unless previously repaid, redeemed or repurchased by the Company, be redeemed by the Company in full at par value (together with the amounts of accrued and unpaid preference dividend) ten years after the date of their issue (15 September 2011). The preference shares may be redeemed early by the Company at any time or by the holders of a majority of the preference shares in issue on the occurrence of the events specified in the articles.

Senior Secured Notes ("Notes")

On 30 March 2012 the Company issued £200m 10.75% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 10.75% for the entirety of its term. Commencing on 1 October 2012, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 23 March 2012.

On 11 February 2013 the Company issued a further £75m 10.75% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 10.75% for the entirety of its term. Commencing on 1 April 2013, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 3 February 2013.

The £75m Notes were issued at a premium raising cash of £82.1m. The loan premium of £7.1m is recorded within Accruals and deferred income (Note 18) and is being released to the SCI over the remaining term of the Notes. The release to the SCI during the year ended 30 September 2014 was £1.2m (13 months ended 30 September 2013: £0.7m). As at 30 September 2014 and 30 September 2013 the outstanding loan premium is £5.2m and £6.4m respectively.

17. BORROWINGS (Continued)

On 11 March 2014 the Company issued £115m 5.875% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 5.875% for the entirety of its term. Commencing on 1 October 2014, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 4 March 2014.

Unsecured Loan Notes 2021 ("Shareholder Loan")

The Unsecured Loan Notes 2021 were issued by the Company on 15 September 2011. The interest rate is 15.25% non-compounding for the first five years and then 12% compounding annually for the next five years. The principal and accrued interest are both payable ten years after the issue date. The loan notes together with accrued interest may be redeemed early by the Company at any time or by the noteholders with the lead investor's consent on the occurrence of any event specified in the Loan Note Instrument.

As at 30 September 2014 the amount of Shareholder Loan outstanding was £25.8m (2013: £23.1m), comprising loan principal of £17.6m (2013: £17.6m) and accrued interest of £8.2m (2013: £5.5m).

Revolving Credit Facility ("RCF")

The current RCF was put in place on 30 March 2012 for £40m. On 21 January 2013 the facility was increased to £55m. On 28 November 2013 the facility was further increased to £66m. Under the terms of the RCF, if certain conditions were achieved this would allow the facility to increase to £83m. As at 30 September 2014 these conditions had been met and the available facility, which is unutilised at 30 September 2014, is £83m.

The RCF has a variable interest rate linked to LIBOR and a quarterly commitment fee calculated on the undrawn facility. The current RCF ceases on 1 April 2018.

The weighted average interest rates during the period were as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Notes	9.83%	10.75%	10.75%
RCF	4.49%	4.28%	5.10%
Shareholder Loan	15.25%	15.25%	15.25%
Preference Shares	15.25%	15.25%	15.25%

18. TRADE AND OTHER PAYABLES

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Trade payables	6,257	2,886	1,769
Amounts owed to Metis Holdco Limited (Note A)	2,785	3,773	1,087
Amounts owed to other parties (Note B)	1,361	—	—
Other taxes and social security	1,533	1,115	377
Accruals and deferred income	5,763	4,235	3,636
Other payables	4,682	1,381	441
Other payables—acquired portfolio investments	9,302	797	3,892
Other payables—contingent consideration	—	5,200	—
Loan notes premium	5,226	6,387	—
	36,909	**25,774**	**11,202**

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Trade payables	3,358	30	71
Amounts owed to Metis Holdco Limited (Note A)	2,785	1,279	—
Amounts owed to other parties (Note B)	1,361	—	—
Amounts owed to group undertakings (Note C)	1,101	—	227
Other taxes and social security	4	14	6
Accruals and deferred income	2,359	281	363
Other payables	—	—	8
	10,968	**1,604**	**675**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Note A: This group relief balance due to Metis Holdco Limited is non- interest bearing and repayable on demand.

Note B: This group relief balance due to other parties is interest bearing and repayable on demand. The loan attracts a fixed interest rate of 5.4% payable annually.

Note C: These balances are non- interest bearing and repayable on demand.

Other payables—acquired portfolio investments: this relates to the acquisition of portfolio investments that are paid for after the year end. In all cases the obligation is settled within one month.

Other payables—contingent consideration: this relates to the acquisition of Interlaken Group Limited on 16 May 2013. During the year ended 30 September 2014 the decision was taken to release the obligation to pay the contingent consideration. Further details see Note 13.

Loan notes premium—for further details see Notes 7 and 17.

19. SHARE CAPITAL

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Called up, allotted and fully paid:			
940,478 (2012 & 2013: 940,478) A ordinary shares of £1.00 each	940	940	940
226,190 (2012 & 2013: 226,190) B ordinary shares of £1.00 each	226	226	226
128,082 (2013: 62,836; 2012: 45,515) C ordinary shares of £1.00 each	128	63	46
23,810 (2013: 23,810; 2012: 6,250) D ordinary shares of £0.01 each	1	1	—
	1,295	**1,230**	**1,212**

The rights attached to the ordinary shares are as follows:

Voting

The ordinary shareholders shall be entitled to receive notice of, attend and speak at and vote at general meetings of the Parent company. On a show of hands each ordinary shareholder shall have one vote and on a poll the ordinary shareholders (other than the D ordinary shareholders) shall have one vote for each ordinary share held by them, and the D ordinary shareholders shall have one vote for every one hundred D ordinary shares held by them.

Dividends

The profits of the Parent company available for distribution and resolved to be distributed shall be distributed as follows: (i) 999,999 / 1,000,000 to the holders of the ordinary shares (other than the C ordinary shares) pro rata to the number of the ordinary shares (other than the C ordinary shares) held by them; and (ii) 1 / 1,000,000 to the holders of the C ordinary shares pro rata to the number of C ordinary shares held by them.

Return of capital

On a return of capital on liquidation, reduction of capital or otherwise (other than on a redemption or purchase of shares), the balance of any assets available for distribution, subject to any special rights which may be attached to any other class of shares, shall be distributed among the ordinary shareholders in the following priority: (i) first, in paying to each holder of ordinary shares, in respect of each ordinary share of which he / she is a holder, a sum equal to the issue price; (ii) thereafter, of the balance remaining: (a) 999,999 / 1,000,000 to the holders of ordinary shares (other than C ordinary shares) pro rata to the number of the ordinary shares (other than C ordinary shares) held by them; and (b) 1 / 1,000,000 to the holders of C ordinary shares pro rata to the number of C ordinary shares held by them.

During the 13 month period ended 30 September 2013 the Company issued 17,321 C ordinary shares and 17,560 D ordinary shares at a subscription price of £1.00 and £3.57 respectively for cash. This gave rise to a share premium on the D ordinary shares of £63k.

During the year ended 30 September 2014 the Company issued 65,246 C ordinary shares at a subscription price of £1.00 for cash.

20. RETAINED DEFICIT

Group

	£000
At 1 September 2012 (Restated*)	(31,315)
Loss for the period (Restated*)	(25,464)
At 30 September 2013 (Restated*)	(56,779)
Loss for the year	(16,087)
At 30 September 2014	**(72,866)**

Company

	£000
At 1 September 2012 (restated)	(33,446)
Loss for the period	(31,105)
At 30 September 2013	(64,551)
Loss for the year	(34,384)
At 30 September 2014	**(98,935)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

21. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' DEFICIT

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Opening total shareholders' deficit	(55,480)	(30,097)	—
Issue of share capital	65	18	1,212
Share premium on shares issued	—	63	6
Loss for the financial period	(16,087)	(25,464)	(31,315)
Closing total shareholders' deficit	**(71,502)**	**(55,480)**	**(30,097)**

Company

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Opening total shareholders' deficit	(63,252)	(32,228)	—
Issue of share capital	65	18	1,212
Share premium on shares issued	—	63	6
Loss for the financial period	(34,384)	(31,105)	(33,446)
Closing total shareholders' deficit	**(97,571)**	**(63,252)**	**(32,228)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

22. NOTES TO THE CASHFLOW STATEMENT

Group

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period	(16,087)	(25,464)
Adjustments for:		
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Impairment of goodwill (Note 9)	—	785
Release of deferred consideration	(5,200)	—
Interest receivable	(127)	(206)
Loss on sale of property, plant and equipment	314	—
Loss on sale of intangible assets	131	—
Tax expense	1,874	1,755
Finance costs	63,931	60,952
	49,163	43,029
Increase in portfolio investments	(92,889)	(49,201)
Increase in trade and other receivables	(14,229)	(1,270)
Increase/(decrease) in trade and other payables	17,123	(970)
Cash generated from operating activities	(40,832)	(8,412)
Interest paid	(38,954)	(43,804)
Income taxes paid	(1,461)	(4,869)
Net cash from operating activities	**(81,247)**	**(57,085)**

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Cash and bank balances	34,373	15,303	9,020

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

Company

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period	(34,384)	(31,105)
Adjustments for:		
Interest receivable	(5)	(4)
Finance costs	27,902	30,270
	(6,487)	(839)
(Increase) / decrease in trade and other receivables	(2,735)	226
Increase in trade and other payables	9,365	929
Net cash from operating activities	**143**	**316**

22. NOTES TO THE CASHFLOW STATEMENT (Continued)

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Cash and bank balances	695	482	81

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

23. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Lease payments under operating leases recognised as an expense in the period	2,233	1,098

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
No later than one year	1,275	1,137	805
Later than one year and no later than five years	4,622	989	1,943
Later than five years	5,898	—	1,326
	11,795	2,126	4,074

Operating lease payments represent rentals payable by the Group for certain of its office properties and car leases.

The main property lease has been negotiated for a lease term of 15 years, commencing on 9 December 2013, with the option to break, free of charge, after 10 years.

The other property leases are for periods of one to three years with various options for breaks. The car leases run for three years with the option to extend.

24. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of its operations in the UK. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of £310k (13 months ended 30 September 2013: £111k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes

As at 30 September 2014, contributions of £66k (30 September 2013: £41k) due in respect of the current reporting period had not been paid over to the schemes.

25. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Categories of financial instruments

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Cash and cash equivalents	34,373	15,303	9,020
Loans and receivables	368,277	275,388	225,189
Trade and other receivables	33,153	14,796	9,226
Financial liabilities			
Borrowings	(650,023)	(508,344)	(412,107)
Borrowings—Revolving Credit Facility (RCF)	—	(10,000)	(9,018)
Trade and other payables	(36,909)	(20,574)	(11,202)
Tax liability	(51)	(484)	(3,026)
Contingent consideration (FVTPL)	—	(5,200)	—

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Cash and cash equivalents	695	482	81
Trade and other receivables	5,200	2,466	2,692
Financial liabilities			
Borrowings	(268,600)	(240,698)	(210,428)
Trade and other payables	(10,968)	(1,604)	(675)

Financial risk management objectives

As a result of its normal business activities, the Company and Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Conduct risk
- Interest rate risk
- Capital management risk
- Fair value estimation risk

This note presents information about the exposure of the Company and Group to each of the above risks, the Company's and Group's objectives, policies and processes for measuring and managing risk.

25. FINANCIAL INSTRUMENTS (Continued)

Further quantitative disclosures are included throughout these financial statements. The Company and Group manages these risks through the Board of Directors.

The Group has no significant exposure in foreign currency and does not hold any speculative foreign exchange positions. The Group has a number of foreign suppliers who invoice in foreign currency. The total amount invoiced in foreign currency is not significant and is considered immaterial by the Group. The Company has no exposures in foreign currency.

The Company and Group have no exposure to equity markets and do not hold any speculative equity positions.

Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk from the concentration of debtor credit risk is limited due to the high number of individual debtors and the relatively low value of each of the individual's debts. At 30 September 2014 the Group had 15.6m individual customer accounts, of those 10.6m were still open and of those 1.0m made at least one payment during the last 12 months. The average balance on a customer account at 30 September 2014 was £839.

The Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. All portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The on-going risk is managed through utilising a comprehensive portfolio valuation model and building current expectations of recoverability from historical information on debt types and customers into pricing assumptions and models. A pricing committee is in place which is attended by at least two members of the Executive Board as well as other key members from all areas of the business. This committee is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Default rate is the most relevant measure of credit risk and the Group monitors this on an on-going basis. The default rate at 30 September 2014 is 15.52% (30 September 2013 17.47%, 1 September 2012 19.72%). The default rate is based on those accounts that we classify as paying and is calculated using the monetary value of payments collected during a month, against the payment plans that was in place at the start of the month. (For example : if an account had a payment plan in place at the start of the month of £20 per month, but actually only paid £10 during the month, then the default rate would be 50%.).

The carrying amount of financial assets recorded in these financial statements represents the Group's maximum exposure to credit risk. These portfolios are performing in line with the Group's expectations, but are in default relative to the original contractual terms between the debtor and the third party from whom the Group acquired the debt. The Group does not hold any collateral in respect of its receivables. The Group's maximum exposure to credit risk as at 30 September 2014 is £435.8m (30 September 2013: £305.5m, 1 September 2012: £243.4m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

The Company's maximum exposure to credit risk as at 30 September 2014 is £5.9m (30 September 2013: £2.9m, 1 September 2012: £2.8m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

Liquidity risk management

Liquidity risk is the risk of the Company and the Group being unable to meet its financial obligations as they fall due, due to insufficient cash, cash equivalents and available drawings. The approach to

25. FINANCIAL INSTRUMENTS (Continued)

managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's or the Group's reputation.

The Company and the Group manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 30 September 2014, the Group had available undrawn committed borrowing facilities. See Note 17 for further details on banking facilities.

The following tables show the Group's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates:

As at 30 September 2014

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Notes*	9.31	381,423	553,434	—	18,159	535,275	—
Preference shares	15.25	242,777	418,670	—	—	—	418,670
Shareholder loan	15.25	25,823	54,764	—	—	—	54,764
Other liabilities	—	36,960	36,960	36,960	—	—	—
Total liabilities		686,983	1,063,828	36,960	18,159	535,275	473,434

As at 30 September 2013

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Notes*	10.75	267,646	437,593	—	14,781	118,250	304,562
RCF	4.49	10,000	10,000	10,000	—	—	—
Preference shares	15.25	217,560	418,670	—	—	—	418,670
Shareholder loan	15.25	23,138	54,764	—	—	—	54,764
Other liabilities	—	21,058	21,058	21,058	—	—	—
Contingent consideration	—	5,200	5,200	—	—	5,200	—
Total liabilities		544,602	947,285	31,058	14,781	123,450	777,996

As at 1 September 2012

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Notes*	10.75	201,679	350,560	10,810	10,750	86,000	243,000
Preference shares	15.25	190,196	418,670	—	—	—	418,670
Shareholder loan	15.25	20,232	54,764	—	—	—	54,764
Other liabilities	—	14,228	14,228	14,228	—	—	—
Total liabilities		426,335	838,222	25,038	10,750	86,000	716,434

* Includes Loan principal outstanding and accrued interest (Note 17).
Other liabilities: this includes ''Trade and other payables'' and ''Tax liabilities''.

25. FINANCIAL INSTRUMENTS (Continued)

The following tables show the Company's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates:

As at 30 September 2014

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Preference shares	15.25	242,777	418,670	—	—	—	418,670
Shareholder loan	15.25	25,823	54,764	—	—	—	54,764
Other liabilities	—	10,968	10,968	10,968	—	—	—
Total liabilities		279,568	484,402	10,968	—	—	473,434

As at 30 September 2013

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Preference shares	15.25	217,560	418,670	—	—	—	418,670
Shareholder loan	15.25	23,138	54,764	—	—	—	54,764
Other liabilities	—	1,604	1,604	1,604	—	—	—
Total liabilities		242,302	475,038	1,604	—	—	777,996

As at 1 September 2012

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0 - 6 months £000	6 - 12 months £000	1 - 5 years £000	Over 5 years £000
Preference shares	15.25	190,196	418,670	—	—	—	418,670
Shareholder loan	15.25	20,232	54,764	—	—	—	54,764
Other liabilities	—	675	675	675	—	—	—
Total liabilities		211,103	474,109	675	—	—	716,434

Other liabilities: includes ''Trade and other payables''.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's and the Group's short, medium and long-term funding and liquidity management requirements. The Company and the Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set on the next page.

25. FINANCIAL INSTRUMENTS (Continued)

Group financing facilities

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
RCF			
Amount used	—	10,000	—
Amount unused	83,000	45,000	40,000
	83,000	55,000	40,000

The Company has no separate financing facilities.

Operational risk

Operational risk is defined by the Company and the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, and the day to day management of operational risk rests with line managers.

Market risk

Market risk is the risk of changes caused by market variables such as prices, type and timing of debt coming to the market, i.e. the cost of consumer debt portfolios.

By only bidding for consumer debt portfolios up to a price that enables the Group to expect a yield high enough to cover all costs of collection and to make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios. The Group uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through a Pricing committee which is attended by at least two members of the executive board.

The Group manages the unpredictability of the market through a number of financing structures. The Group has in place £390m of senior secured loan notes along with an £83m RCF facility. At 30 September 2014 the RCF facility was unutilised. This facility allows the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints.

Conduct risk

Conduct risk is the risk to Customers that the controls and operations of the Company and Group fail. The ultimate penalty would be if the FCA deemed the Company's and Group's conduct and customer interaction to be so poor that they sought to impose financial penalty and/or financial redress for customers. The directors are not aware of any indication that this is a possibility and seek to minimise the risk through initiatives such as the FAIR programme, which was launched in December 2013, and brings together work carried out on the six principles of TCF, customer focus behaviour, fair outcomes for customers, assessing affordability and responding to client audits, and helps to minimise this risk.

Interest rate risk

Interest rate risk is the risk of changing interest rates. The Group has minimised its risk against changes in interest rates by being funded by share capital, in particular Preference Shares that have a fixed coupon for the whole term, and from 30 March 2012 by a series of Senior Secured Notes with fixed interest rates for the whole term.

25. FINANCIAL INSTRUMENTS (Continued)

The Group's RCF has a variable interest rate however at 30 September 2014 this was fully unutilised.

Derivatives are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates. Historically the Group entered into interest rate caps and interest rate swaps to mitigate the risk of changing interest rates, however due to the stability in interest rates in recent years the Group has taken the decision to not enter into any derivative contracts to hedge this risk. As at 30 September 2014 the Group had no outstanding derivative contracts. All contracts matured or were closed out during the year ended 31 August 2012.

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and so to maintain investor, creditor and market confidence. Neither the Parent company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Company and the Group consists of net debt, which includes the borrowings disclosed in Note 17 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 19 to 20.

The risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Investments and receivables	401,430	290,184	234,415
Total financial assets	401,430	290,184	234,415
Financial liabilities			
Fair value through SCI	—	(5,200)	—
Financial liabilities measured at amortised cost	(686,983)	(539,402)	(426,335)
Total financial liabilities	(686,983)	(544,602)	(426,335)

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Receivables	5,200	2,466	2,692
Total financial assets	5,200	2,466	2,692
Financial liabilities			
Financial liabilities measured at amortised cost	(279,568)	(242,302)	(211,103)
Total financial liabilities	(279,568)	(242,302)	(211,103)

25. FINANCIAL INSTRUMENTS (Continued)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the SFP date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at SFP date was outstanding for the whole year. A 2.5% per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 2.5% per cent higher/lower and all other variables were held constant, the Group's movement in the profit for the year ended 30 September 2014 would be £nil (30 September 2013: decrease/increase £0.1m, 1 September 2012: £nil). This is attributable to the Group's exposure to interest rates on its variable rate borrowings

Interest rate swap contracts

Under interest rate swap contracts, the Group agreed to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enabled the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date was determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract. As at 30 September 2014 the Company and the Group had no outstanding derivative contracts. All contracts matured or were closed out during the year ended 31 August 2012.

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

25. FINANCIAL INSTRUMENTS (Continued)

Group

	Carrying amount			Fair Value		
	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets						
Investments and receivables:						
Portfolio investments	368,277	275,388	225,189	387,177	299,465	236,759
Trade and other receivables	33,153	14,796	9,226	33,153	14,796	9,226
Total financial assets	401,430	290,184	234,415	420,330	314,261	245,985
Financial liabilities						
Financial liabilities measured at amortised cost:						
Senior secured notes	(381,423)	(267,646)	(201,679)	(408,088)	(311,094)	(208,272)
RCF	—	(10,000)	—	—	(10,000)	—
Loan notes to parent	(25,823)	(23,138)	(20,232)	(25,823)	(23,138)	(20,232)
Preference shares	(242,777)	(217,560)	(190,196)	(242,777)	(217,560)	(190,196)
Trade and other payables	(34,175)	(17,285)	(13,141)	(34,175)	(17,285)	(13,141)
Amounts owed to parent	(2,785)	(3,773)	(1,087)	(2,785)	(3,773)	(1,087)
Contingent consideration	—	(5,200)	—	—	(5,200)	—
Total financial liabilities	(686,983)	(544,602)	(426,335)	(713,648)	(588,050)	(432,928)

Company

	Carrying amount			Fair Value		
	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets						
Receivables:						
Trade and other receivables	5,200	2,466	2,692	5,200	2,466	2,692
Total financial assets	5,200	2,466	2,692	5,200	2,466	2,692
Financial liabilities						
Financial liabilities measured at amortised cost:						
Loan notes to parent	(25,823)	(23,138)	(20,232)	(25,823)	(23,138)	(20,232)
Preference shares	(242,777)	(217,560)	(190,196)	(242,777)	(217,560)	(190,196)
Trade and other payables	(8,183)	(325)	(448)	(8,183)	(325)	(448)
Amounts owed to parent	(2,785)	(1,279)	(229)	(2,785)	(1,279)	(229)
Total financial liabilities	(279,568)	(242,302)	(211,105)	(279,658)	(242,302)	(211,105)

For the Group, the fair value of the acquired portfolios is determined using a discounted cashflow model with unobservable inputs and are classified as level 3 measurements. The senior secured notes are publicly traded instruments whose value can be obtained from public sources; as a result these are classified as level 1. The remaining financial assets and liabilities carried have a fair value equal to their carrying value. All of the Company's financial assets and liabilities have a fair value equal to their carrying value.

25. FINANCIAL INSTRUMENTS (Continued)

The fair value of non-financial instruments have been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

The fair value of the portfolios is calculated by discounting the net 84 month forecast cashflows. The unobservable inputs in determining the fair value are the discount rate and service cost percentage. These are 15% and 25% respectively for portfolios that are not deemed as ''paying'' at the point of acquisition and 12% and 10% for portfolios that are deemed as ''paying''. A ''paying'' portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cashflows to net and is based on historical information on costs to collect.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The acquired portfolio investments fair value is calculated using discounted net 84 month forecast cashflows as detailed on page F-315.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 September 2013		
	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value			
Contingent consideration	—	—	(5,200)

25. FINANCIAL INSTRUMENTS (Continued)

	30 September 2014		
	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value			
Contingent consideration	—	—	—

26. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary undertaking of Metis Holdco Limited, which prepares consolidated financial statements. The consolidated financial statements of Metis Holdco Limited are available from the company's registered office at 20 Bentinck Street, London, W1U 2EU.

The tables below set out the related party transactions and year end balances between the Company and its related parties and also the Group and its related parties.

Group and Company

Year ended 30 September 2014

	Parent company's immediate parent £000	Other holders £000	Total £000
Unsecured loan notes 2021			
Principal and accrued interest at 30 September 2013	23,138	—	23,138
Principal and accrued interest transferred	(9,294)	9,294	—
Interest charged (Note 7)	2,672	13	2,685
As at 30 September 2014	16,516	9,307	25,823
Preference Shares			
Principal and accrued interest at 30 September 2013	213,114	4,446	217,560
Principal and interest transferred	(85,794)	85,794	—
Interest charged (Note 7)	24,249	968	25,217
As at 30 September 2014	151,569	91,208	242,777

13 months ended 30 September 2013

	Parent company's immediate parent £000	Other holders £000	Total £000
Unsecured loan notes 2021			
Principal and accrued interest at 1 September 2012	20,232	—	20,232
Interest charged (Note 7)	2,906	—	2,906
As at 30 September 2013	23,138	—	23,138
Preference Shares			
Principal and accrued interest at 1 September 2012	184,647	5,549	190,196
Principal and interest transferred	1,806	(1,806)	—
Interest charged (Note 7)	26,661	703	27,364
As at 30 September 2013	213,114	4,446	217,560

26. RELATED PARTY TRANSACTIONS (Continued)

Group and Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Other year end balances with related parties			
Metis Holdco Limited (group relief)	(2,785)	(3,773)	(1,087)
Other related parties (group relief)	(1,361)	—	—
Directors' loans	—	171	—

In addition, the Company also had the following transactions and year end balances with other related parties.

Company

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Transactions with related parties		
Expenses and costs recharged to Lowell Financial Limited	1,286	801
Expenses and costs recharged to Tocatto Ltd	13	162
Expenses and costs recharged to Fredricksons International Limited	384	—

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Year end balances with related parties			
Lowell Portfolio I Ltd (trading)	(793)	(155)	2,442
Lowell Portfolio I Ltd (group relief)	1,902	2,093	4
Tocatto Ltd	(4)	8	135
Lowell Group Limited	—	11	(7)
Fredrickson International Limited	(44)	—	—
Lowell Financial Ltd (trading)	(260)	87	(220)
Lowell Financial Ltd (group relief)	3,244	2,653	1,083

Group

Remuneration of key management personnel

The remuneration of key management personnel of the Group, who are not directors of the Company, is set out below in aggregate for each of the categories specified in IAS 24 (Related Party Disclosures):

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Short-term employee benefits	1,483	1,195

The above details relate to five key management personnel who are directors of subsidiary undertakings of the Company. They are paid directors' emoluments by a subsidiary company (Lowell Financial Ltd) for their services to the Group. Emoluments of directors of the Company, who provide services as directors

26. RELATED PARTY TRANSACTIONS (Continued)

to the Company and the Group, but are paid by the Company or by a subsidiary company (Lowell Financial Ltd) are set out in Note 5d.

27. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Metis Holdings Sarl, which is the ultimate parent company, incorporated in Luxembourg.

The largest group which consolidates these financial statements is that headed by Metis Holdco Limited, the Company's immediate parent undertaking, incorporated in England and Wales. The consolidated financial statements of Metis Holdco Limited are available from its registered office at 20 Bentinck Street, London, W1U 2EU.

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€415,000,000 Floating Rate Senior Secured Notes due 2023

September 29, 2017

Listing Prospectus