ARROW GLOBAL

INTELLIGENT ANALYSIS
FAIR SOLUTIONS

Arrow Global Finance plc

£220,000,000

7.875% Senior Secured Notes due 2020

Interest payable on March 1 and September 1

Issue price: 100%

Arrow Global Finance plc (the ''**Issuer**''), a public limited company incorporated in England and Wales, is hereby offering (the ''**Offering**'') £220 million 7.875% Senior Secured Notes due 2020 (the ''**Notes**''). Interest will be paid on the Notes on March 1 and September 1 of each year, beginning on September 1, 2013. The Notes will mature on March 1, 2020.

The Issuer may redeem some or all of the Notes on or after March 1, 2016 at the redemption prices set out in this offering memorandum (the ''**Offering Memorandum**''). Prior to March 1, 2016, the Issuer may redeem, at its option, some or all of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable ''make-whole'' premium, as described in this Offering Memorandum. Prior to March 1, 2016, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes using the net cash proceeds from certain equity offerings at a price equal to 107.875%, if at least 65% of the originally issued aggregate principal amount of the Notes remains outstanding. Additionally, the Issuer may redeem all, but not less than all, of the Notes in the event of certain developments affecting taxation. Upon the occurrence of certain events constituting a Change of Control Triggering Event, as defined herein, the Issuer may be required to make an offer to repurchase all the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any.

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

The Notes will be guaranteed on a senior basis by Arrow Global Guernsey Holdings Limited and certain of its subsidiaries, including Arrow Global Investments Holdings Limited, (the ''**Guarantors**''). The Notes will be secured by substantially all of the assets of the Issuer and the Guarantors (the ''**Collateral**''), including first-priority security interests in the share capital of the Issuer and the Subsidiary Guarantors, as described in the ''Description of the Notes—Security.'' The Collateral also secures our obligations under our New Revolving Credit Facility, as defined herein, to be entered into on or about the date on which the Notes are issued and may also secure additional debt in the future. Pursuant to the terms of the Intercreditor Agreement, as defined herein, any liabilities in respect of obligations under the New Revolving Credit Facility and any hedging obligations that are secured by assets that also secure our obligations under the Notes and the Guarantees will receive priority with respect to any proceeds received upon any enforcement action over any such assets. The Collateral may be released in circumstances described in ''Description of the Notes—Security—Releases.'' In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility and counterparties to certain hedging obligations have been repaid in full. See ''Description of the Notes—Security.''

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

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

Investing in the Notes involves a high degree of risk. See ''Risk Factors'' beginning on page 20.

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

The Notes will be issued in the form of global notes in registered form. See ''Book-Entry; Delivery and Form.'' We expect the Notes to be delivered to investors in book-entry form on or about January 29, 2013.

Joint Bookrunners

Goldman Sachs International **J.P. Morgan**

Offering Memorandum dated January 22, 2013.

IMPORTANT INFORMATION

Arrow Global Finance plc is a public limited company incorporated under the laws of England and Wales, a direct wholly-owned subsidiary of Arrow Global Investments Holdings Limited, a private limited company incorporated in England and Wales, and an indirect wholly-owned subsidiary of Arrow Global Guernsey Holdings Limited. Arrow Global Guernsey Holdings Limited is a non-cellular company limited by shares incorporated under the laws of Guernsey.

In this Offering Memorandum, ''**Issuer**'' refers only to Arrow Global Finance plc and not any of its subsidiaries and ''**Parent Guarantors**'' refers only to Arrow Global Guernsey Holdings Limited and Arrow Global Investments Holdings Limited and not any of their subsidiaries. In this Offering Memorandum, the ''**Group**,'' ''**we**,'' ''**us**'' and ''**our**'' refer to the Parent Guarantors and their consolidated subsidiaries except where the context otherwise requires or it is otherwise indicated. Our registered office is located at La Plaiderie House, La Plaiderie, St Peter Port, Guernsey GY1 1WG. Our telephone number is +44 1481 712 680.

This Offering Memorandum is confidential and has been prepared by us solely for use in connection with the Offering.

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

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

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

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

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

None of the U.S. Securities and Exchange Commission (the ''**SEC**''), any state securities commission or any other regulatory authority has approved or disapproved of the Notes, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary could be a criminal offense in certain countries.

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

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

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

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

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

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

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

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

Investing in the Notes involves a high degree of risk. See ‘‘Risk Factors’’ beginning on page 20.

Internal Revenue Service Circular 230 Disclosure

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN IN CONNECTION WITH THE MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

STABILIZATION

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

NOTICE TO U.S. INVESTORS

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

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT

THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CERTAIN INVESTORS

Notice to Investors in the United Kingdom

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

Notice to Investors in the European Economic Area

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

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

(i) legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(ii) any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(iii) fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than ''qualified investors'' as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the Issuer; or

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

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

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

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

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

The United States currently does not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters with either England or Guernsey.

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

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

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

AVAILABLE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum acknowledges that (i) such person has been afforded an opportunity to request from us, and has received, all additional information considered to be necessary to verify the accuracy and completeness of the information herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and (iii) except as provided in clauses (i) and (ii) above, no person has been authorized to give any information or to make any representation concerning the Notes other than those contained herein, and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act of 1934, as amended (the ''**U.S. Exchange Act**''). For so long as any of the Notes are restricted securities within the meaning of Rule 144(a)(3) under the U.S. Securities Act and the Issuer is neither subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, it will, upon the request of any such person, furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Pursuant to the Indenture and for so long as the Notes are outstanding, we will furnish certain information to holders of the Notes. See ''Description of the Notes—Certain Covenants—Reports.'' For so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market thereof and the rules of that exchange so require, copies of such information, the organizational documents of the Issuer and each Guarantor, the most recent Consolidated Financial Statements of Arrow Global Guernsey Holdings Limited and the Indenture (which includes the Guarantees and the form of the Notes), the Intercreditor Agreement and the security documents will be available for review during the normal business hours on any business day at the specified office of the Listing Agent. See ''Listing and General Information.''

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

This Offering Memorandum includes the audited consolidated financial statements of Arrow Global Guernsey Holdings Limited and its subsidiaries as at and for the 15 months ended December 31, 2009 and as at and for the years ended December 31, 2010 and 2011 (hereinafter referred to as the ''**Consolidated Financial Statements**'') and the unaudited condensed consolidated financial statements of Arrow Global Guernsey Holdings Limited and its subsidiaries as at and for the ten months ended October 31, 2011 and 2012 (the ''**Interim Financial Statements**'', together with the Consolidated Financial Statements, the ''**Financial Statements**''). Unless otherwise indicated, the financial information presented herein is the historical consolidated financial information of Arrow Global Guernsey Holdings Limited and its subsidiaries, except as discussed below. The Consolidated Financial Statements and the Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (''**IFRS**''). The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union (''**IAS 34**'').

The presentation of certain items included herein for the 15 months ended December 31, 2009 and the 12 months ended December 31, 2010 and 2011 differs from the presentation in the Consolidated Financial Statements included elsewhere in this Offering Memorandum due to a change in classification in order to present these items in a manner that is consistent with the presentation in the Interim Financial Statements, which reflects both a fairer presentation in light of the requirements of IAS 7 ''Statement of Cash Flow'' and industry practice. This reclassification results in a change in the presentation of purchases of purchased loan portfolios to be accounted for within net cash flow from operating activities rather than within net cash flow from investing activities. The Consolidated Financial Statements included within this Offering Memorandum have not been amended in this regard. See ''Summary Historical Consolidated Financial Data.''

As a result of a reorganization of our business in 2009 in connection with our acquisition by the RBS Special Opportunities Fund, the Consolidated Financial Statements for 2009 include the 15-month period from October 8, 2008 to December 31, 2009. In connection with such reorganization, Arrow Global Guernsey Holdings Limited was incorporated on October 8, 2008 and remained dormant until January 22, 2009, when it acquired certain businesses and assets from a subsidiary of Sallie Mae and from RB Investments 1 Limited. Accordingly, the financial information presented for the year ended December 31, 2010 and the corresponding information presented for the 15 months ended December 31, 2009 is not directly comparable.

In addition, this Offering Memorandum includes certain unaudited consolidated financial information for the 12 months ended October 31, 2012. This information was derived by adding our consolidated financial information for the year ended December 31, 2011 derived from the Consolidated Financial Statements to our consolidated financial information for the ten months ended October 31, 2012 derived from the Interim Financial Statements and subtracting our consolidated financial information for the ten months ended October 31, 2011 also derived from the Interim Financial Statements. 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 or reviewed.

In making an investment decision, you must rely upon your own examination of the terms of the Offering and the financial information contained in this Offering Memorandum. We do not present separate financial statements of Arrow Global Investments Holdings Limited, or the Subsidiary Guarantors in this Offering Memorandum because all such entities are wholly owned, directly or indirectly, by Arrow Global Guernsey Holdings Limited and the financial position, results of operations and cash flows of such entities are therefore consolidated within our Financial Statements contained herein.

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

The financial information and Financial Statements included in this Offering Memorandum are presented in pounds sterling. Certain numerical figures included in this Offering Memorandum have been rounded.

Discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

The financial information and Financial Statements included in this Offering Memorandum are not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the Notes and the Guarantees were registered with the SEC.

See ''Independent Auditors'' for a description of the reports of the independent auditor of Arrow Global Guernsey Holdings Limited, Deloitte LLP, on the Consolidated Financial Statements of Arrow Global Guernsey Holdings Limited.

Other Financial Information

Non-IFRS Financial Measures

Throughout this Offering Memorandum we include references to ''**Adjusted EBITDA**'', ''**84-Month ERC**'', ''**120-Month ERC**'', ''**Net Core Collections**'', ''**Cash-on-Cash Multiple**'', ''**Net Cash-on-Cash Multiple**'', ''**Net cash flow from operating activities before purchases of purchased loan portfolios**'' and ''**Unlevered Net IRR**'' and certain other financial measures and ratios. These are not measures determined in accordance with IFRS and you should not consider such items as an alternative to the applicable IFRS measures. These measures and related ratios should not be considered in isolation and are not measures of our financial performance or liquidity under IFRS and should not be considered as an alternative to profit/(loss) for the period attributable to equity shareholders or any other performance measures derived in accordance with IFRS or as an alternative to net cash flow from operating activities or any other measure of our liquidity derived in accordance with IFRS. These measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations. In addition, these measures, as we define them, may not be comparable to other similarly titled measures used by other companies. You should exercise caution in comparing these measures as reported by us to such measures of other companies. Each of these measures has limitations as an analytical tool, and you should not consider them in isolation.

''**Adjusted EBITDA**'' is defined as net cash flow from operating activities adjusted to exclude the effects of purchases of purchased loan portfolios, proceeds from disposal of purchased loan portfolios, income taxes and overseas taxation paid, working capital adjustments, profit/(loss) on disposal of purchased loan portfolios, discontinued operations, loss/(gain) on fair value derivatives, amortization of acquisition and bank facility fees, foreign exchange (gains)/losses, interest payable and exceptional costs. We present Adjusted EBITDA because we believe it may enhance an investor's understanding of our cash flow generation that could be used to service or pay down debt, pay income taxes, purchase new debt portfolios and for other uses, and the liquidity of our business and because it is frequently used by securities analysts, investors and other interested parties in the evaluation of debt purchasing companies. Adjusted EBITDA is not a measure determined in accordance with IFRS and our use of the term Adjusted EBITDA may vary from others in our industry.

For supplemental purposes, we have also included a reconciliation of profit/(loss) for the period attributable to equity shareholders to Adjusted EBITDA. In this regard, Adjusted EBITDA represents profit/(loss) for the period attributable to equity shareholders adjusted to exclude the effects of loss for the period from discontinued operations, interest expense, taxation charge on ordinary activities, profit recognised on acquisition of subsidiary, portfolio amortization, portfolio write-up, depreciation and amortization, foreign exchange (gains)/losses, amortization of acquisition and bank facility fees and exceptional costs. Additionally, for supplemental purposes we have also included a reconciliation of ''**Core Collections**,'' an IFRS measure, to Adjusted EBITDA. We include this supplemental reconciliation because we consider the conversion of Core Collections to Adjusted EBITDA to be a key driver of our performance and key to understanding our liquidity. In this regard, Adjusted EBITDA represents Core Collections, which include income from purchased loan portfolios adding back portfolio amortization, and excluding the effects of profit/(loss) on portfolio and loan note sales, discontinued operations, other income, operating expenses, depreciation and amortization, foreign exchange (gains)/losses, amortization of acquisition and bank facility fees and exceptional costs.

For reconciliations of net cash flow from operating activities, profit/(loss) for the period attributable to equity shareholders and Core Collections to Adjusted EBITDA, see ''Summary—Summary Historical Consolidated Financial Data.''

Adjusted EBITDA should not be considered as an alternative to net cash flow from operating activities, profit/(loss) for the period attributable to equity shareholders, Core Collections or any other performance measures determined in accordance with IFRS.

''**84-Month ERC**'' and ''**120-Month ERC**'' (together ''**ERC**'') mean our estimated remaining collections on purchased loan portfolios over an 84-month or 120-month period, respectively, which represent the expected future Core Collections on purchased loan portfolios over an 84-month or 120-month period (calculated at the end of each month, based on our ERC forecast model, as amended from time to time). We do not deduct future Collection Activity Costs in calculating ERC. ERC is calculated as at a point in time assuming no additional purchases are made thereafter.

ERC is a metric that is also often used by other companies in our industry. In addition, ERC may be computed differently by different companies in our industry. We present ERC because it represents an estimate of the undiscounted cash value of our purchased loan portfolios at any point in time, which is an important supplemental measure for our management to assess our performance, and underscores the cash generation capacity of the assets backing our business. We use 120-Month ERC in addition to 84-Month ERC to reflect the longer-term value of our Core Collections because of our high share of financial services assets, combined with our large proportion of paying accounts. We constantly refine our methods for calculating ERC. ERC is a projection of our estimated remaining collections, calculated by our proprietary analytical models, which uses our historical portfolio collection performance data, and we cannot guarantee that we will achieve such collections. We do not use our portfolio valuation model to calculate ERC in Portugal. ERC for our portfolios in Portugal is calculated using account level forecasts provided by our DCAs.

The balance sheet value of our purchased loan portfolio is derived from discounted cash flows generated by the same proprietary revaluation model used to derive ERC.

Loan portfolio revenue is calculated by multiplying the carrying value of each loan portfolio as at the beginning of the period by the effective interest rate (''**EIR**''). The EIR is defined under IFRS as the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset of financial liability. For us, this means that the EIR is set based on forecast 84-Month ERC at the date of purchase and the loan portfolio purchase price. We also refer to this as the loan portfolio's gross internal rate of return (''**Gross IRR**''). The EIR is reassessed and adjusted 12 months after the purchase of each loan portfolio although this adjustment has historically not resulted in any material impact on income from purchased loan portfolios.

''**Cash-on-Cash Multiple**'' means the Collections to Date plus the 84-Month ERC, all divided by the purchase price for each portfolio.

''**Net Cash-on-Cash Multiple**'' means the Collections to Date plus the 84-Month ERC, net of Collection Activity Costs, all divided by the purchase price for each portfolio.

''**Unlevered Net IRR**'' means the IRR calculated using expected Net Core Collections for the next 84 months subsequent to the date of purchase of the loan portfolio adjusted regularly in line with 84-Month ERC.

''**Net Core Collections**'' mean Core Collections less Collection Activity Costs. Collection Activity Costs represent the direct costs of external collections related to our purchased loan portfolios such as commissions paid to third party outsourced providers, credit bureau data costs, legal costs associated with collections and costs related to the in-house customer service team.

Ratios and Other Measures Derived From Non-GAAP Measures

We have also presented certain ratios and other measures in this Offering Memorandum which are derived from a combination of our principal non-GAAP measures and GAAP measures. Where such amounts have been presented a description of the amount and the measures from which it has been derived has been included.

As Adjusted Financial Information

This Offering Memorandum includes certain financial information on an as adjusted basis to give pro forma effect to the Refinancing as if it had occurred on October 31, 2012 or, in certain cases, December 31, 2012, for purposes of our indebtedness and as if it had occurred on November 1, 2011 for purposes of our interest expense as at October 31, 2012 and January 1, 2012 for our interest expense as at December 31, 2012. This pro forma financial information has been prepared for illustrative purposes only and not in accordance with IFRS.

Presentation of our Financial Statements

Some of our key competitors prepare financial statements in accordance with generally accepted accounting practice in the U.K. (''**U.K. GAAP**''). IFRS differs in certain significant respects from U.K. GAAP. We have not prepared financial statements in accordance with nor have we reconciled our Financial Statements to U.K. GAAP. Therefore we are unable to identify or quantify all of the differences that may impact our reported profits, financial position or cash flows were they to be reported under U.K. GAAP.

Additionally, some of our key competitors apply the Fair Value through Profit and Loss (''**FVTPL**'') methodology to purchased loan portfolios which is available under both U.K. GAAP and IFRS to record the carrying value of purchased loan portfolios. We prepare our Financial Statements in accordance with IFRS and apply the amortized cost method (or the ''effective interest'' method). The amortized cost method includes the determination of an EIR when a purchased loan portfolio is acquired. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates.'' By contrast, the FVTPL method requires the discount factor applied to future net cash flows generated by purchased loan portfolios, in order to determine fair value, to be updated at each reporting date to reflect market factors. Based on a 15% discount rate, which we believe is the discount rate often applied by peers reporting under the FVTPL method, and applying a Collection Cost Ratio of 23% to our ERC, the carrying value of our purchased loan portfolios using the FVTPL method would be higher. In addition, under the FVTPL method, the value of purchased loan portfolios is recorded at purchase cost at the date of purchase and revalued at fair value 12 months after purchase which we believe generally results in an early recognition of revenue through a portfolio write-up flowing through the income statement. We believe that the differences in methodologies make it difficult to compare our financial performance under IFRS with that of similar companies in our sector who prepare their financial statements using the FVTPL method. In particular, we believe operating profit, EBITDA and the balance sheet carrying value of portfolios (or equivalent measures) are difficult to compare. We tend to focus on Adjusted EBITDA and ERC, which, although not necessarily computed on an identical basis between us and similar companies in our sector, and although these are non-IFRS and non-U.K. GAAP measures, we believe are more comparable between us and similar companies in our sector than similar IFRS or U.K. GAAP measures.

MARKET AND INDUSTRY DATA

We obtained market data and certain industry data and forecasts included in this Offering Memorandum from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys. Our primary source for third party industry data and forecasts was a report prepared for us by OC&C Strategy Consultants (''**OC&C**''). Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified any of the data from third party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which we believe to be reliable based upon our management's knowledge of the industry, have not been independently verified. We do, however, accept responsibility for the correct reproduction of this information. Statements as to our market position are based on recently available data. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under ''Risk Factors.''

EXCHANGE RATE INFORMATION

The revenue earned and the majority of our expenses incurred are in pounds sterling. As used in this Offering Memorandum, the term ''**exchange rate**'' refers to the Bloomberg Composite Rate (New York) for pounds sterling, expressed as U.S. dollars per £1.00. The Bloomberg Composite Rate is a ''best market'' calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. Neither we nor the Initial Purchasers make any representation that the pound sterling or the U.S. dollar amounts referred to in this Offering Memorandum have been, could have been or could, in the future, be converted into U.S. dollars or pounds sterling, as the case may be, at any particular rate, if at all.

The table below shows the Bloomberg Composite Rates for U.S. dollars per £1.00 for the periods indicated.

	U.S. dollars per £1.00			
	Period End	**Average[(1)]**	**High**	**Low**
Year ended				
December 31, 2008	1.463	1.853	2.033	1.439
December 31, 2009	1.617	1.567	1.699	1.375
December 31, 2010	1.561	1.546	1.636	1.433
December 31, 2011	1.555	1.604	1.671	1.534
December 31, 2012	1.625	1.585	1.628	1.532
Month ended				
July 31, 2012	1.568	1.560	1.575	1.543
August 31, 2012	1.587	1.572	1.588	1.552
September 30, 2012	1.617	1.611	1.625	1.588
October 31, 2012	1.613	1.607	1.619	1.595
November 30, 2012	1.601	1.596	1.613	1.584
December 31, 2012	1.625	1.615	1.628	1.604
(through January 21, 2013)	1.583	1.607	1.626	1.583

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

The U.S. dollar per British pound exchange rate on January 21, 2013 was $1.583 = £1.00.

The above rates may differ from the actual rates used in the preparation of our Financial Statements and other financial information appearing in this Offering Memorandum.

Fluctuations in the value of the British pound relative to the U.S. dollar may have a significant effect on the translation into U.S. dollars of our British pound assets, liabilities, revenue and expenses, and may continue to do so in the future. For further information on the impact of fluctuations in exchange rates on our operations, see ''Risk Factors—Risks Related to Our Business—We are subject to fluctuations in foreign exchange rates'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure of Market Risk—Foreign Currency Risk.''

FORWARD-LOOKING STATEMENTS

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

- failure to comply with applicable legislation or regulation of the debt purchase and the broader consumer credit industry, or changes to the regulatory environment in the U.K. and Portugal;
- deterioration in the economic environment in the markets we operate;
- deterioration in the value of the debt portfolios we have purchased or the inability to collect sufficient amounts on our debt portfolios;
- failure of statistical models and analytical tools to accurately project remaining cash flow from our debt portfolios;
- the inability to compete on the basis of price or the loss of competitive advantages;
- an insufficient supply of debt portfolios available to purchase;
- the failure, inaccuracy or loss of access to our data analytics systems, IT systems or proprietary customer profiles, or our competitors' development of comparable tools;
- the loss of key relationships with vendors of debt portfolios, third party DCAs and other business partners;
- changes in our customers' financial circumstances, including being subject to personal insolvency procedures;
- the inability to meet financial and other reporting requirements or implement effective internal control and portfolio pricing standards;
- security breaches, interruptions in technology, increased technology costs or an inability to successfully anticipate, manage or adopt technological advances within our industry;
- the failure of third party DCAs to service underlying accounts in our debt portfolios;
- seasonal purchase and business patterns;
- negative attention and news regarding the debt collection industry and individual debt collectors;
- reliance on our senior management team and on key employees;
- the inability to obtain account documents for some of the accounts that we purchase;
- the purchase of portfolios containing accounts that are not eligible to be collected;
- unsuccessful acquisitions or business combinations;
- the failure to protect proprietary processes and systems;
- liability for historic taxation; and
- other factors discussed in more detail under ''Risk Factors.''

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

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

USE OF TERMS

Key Performance Indicators

Certain key performance indicators used in this Offering Memorandum are defined as follows:

- ''**84-Month ERC**'' means our estimated remaining collections on our purchased loan portfolios over an 84-month period, which represents the expected future Core Collections of our purchased loan portfolios over an 84-month period;
- ''**120-Month ERC**'' means our estimated remaining collections on our purchased loan portfolios over a 120-month period, which represents the expected future Core Collections of our purchased loan portfolios over a 120-month period;
- ''**Adjusted EBITDA**'' means net cash flow from operating activities adjusted to exclude the effects of purchases of purchased loan portfolios, proceeds from disposal of purchased loan portfolios, income taxes and overseas taxation paid, working capital adjustments, profit/(loss) on disposal of purchased loan portfolios, discontinued operations, loss/(gain) on fair value derivatives, amortization of acquisition and bank facility fees, foreign exchange (gains)/losses, interest payable and exceptional costs. See ''Presentation of Financial and Other Information—Other Financial Information—Non-IFRS Financial Measures;''
- ''**Backbook**'' means all debt portfolios we own at the relevant point in time;
- ''**Cash-on-Cash Multiple**'' means the Collections to Date plus the 84-Month ERC, all divided by the purchase price for each portfolio;
- ''**Collection Activity Costs**'' means the direct costs of external collections related to our purchased loan portfolios, such as commissions paid to third party outsourced providers, credit bureau data costs, legal costs associated with collections and costs related to the in-house customer service team.
- ''**Collection Cost Ratio**'' means the ratio of Collection Activity Costs to Core Collections;
- ''**Collections to Date**'' means Core Collections to date plus putbacks (portions of portfolios re-assigned to the debt originator) plus disposal proceeds on portfolio account sales;
- ''**Core Collections**'' are collections on our purchased loan portfolios;
- ''**EBITDA**'' means earnings before interest, taxation, depreciation and amortization;
- ''**EIR**'' means the loan portfolio's gross internal rate of return based on the loan portfolio purchase price and forecast 84-Month ERC at the date of purchase. EIR is reassessed and adjusted 12 months after the purchase of each loan portfolio;
- ''**ERC**'' means 84-Month and 120-Month ERC;
- ''**Gross IRR**'' means the loan portfolio's gross internal rate of return based on the loan portfolio purchase price and forecast 84-Month ERC at the date of purchase;
- ''**Net Cash-on-Cash Multiple**'' means the Collections to Date plus the 84-Month ERC, net of Collection Activity Costs, all divided by the purchase price for each portfolio;
- ''**Net Core Collections**'' mean Core Collections less Collection Activity Costs;
- ''**Net Debt**'' means all third party debt and cash and cash equivalents, but does not include shareholder loans or unamortized bank arrangement fees; and
- ''**Unlevered Net IRR**'' means the estimated Unlevered Net IRR of our loan portfolios purchased in each period and is calculated using expected Net Core Collections for the next 84 months subsequent to the date of purchase of the loan portfolio adjusted regularly in line with ERC.

Industry Terms

Certain industry terms used in this Offering Memorandum are defined as follows:

- ''**CCA**'' means the U.K. Consumer Credit Act 1974 and related secondary legislation;
- ''**CCL**'' means a U.K. Consumer Credit License;

- ''**CCTA**'' means the U.K. Consumer Credit Trade Association;
- ''**Contingent Collections**'' means collections of overdue receivables on behalf of third parties;
- ''**CSA**'' means the U.K. Credit Services Association;
- ''**DBSG**'' means the U.K. Debt Buyers and Sellers Group;
- ''**DCAs**'' means debt collection agencies;
- ''**FCA**'' means the U.K. Financial Conduct Authority;
- ''**FOS**'' means the U.K. Financial Ombudsman Service;
- ''**FSMA**'' means the Financial Services and Markets Act 2000;
- ''**GFSC**'' means the Guernsey Financial Services Commission;
- ''**Guernsey Data Protection Law**'' means the Data Protection (Bailiwick of Guernsey) Law, 2001;
- ''**ICO**'' means the U.K. Information Commissioner's Office;
- ''**OFCOM**'' means the U.K. Office of Communications;
- ''**OFT**'' means the U.K. Office of Fair Trading;
- ''**Originators**'' or ''**vendors**'' means financial institutions or other initial credit providers to consumers, certain of which entities choose to sell paying or non-paying accounts receivables related thereto to debt purchasers;
- ''**POI Law**'' means the Guernsey Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended;
- ''**SCOR**'' means the U.K. Steering Committee on Reciprocity; and
- ''**TCF**'' means treating customers fairly according to the sixth principle the FSA rulebook.

Other Definitions

In addition, unless otherwise specified or the context requires otherwise, as used in this Offering Memorandum:

- ''**Arrow**'' or the ''**Company**'' means Arrow Global Guernsey Holdings Limited;
- ''**Arrow Global**'', ''**we**,'' ''**us**,'' ''**our**,'' and ''**the Group**'' means Arrow Global Guernsey Holdings Limited and its direct and indirect subsidiaries;
- ''**Arrow Global Investments Holdings Limited**'' means the Parent Guarantor formerly known as Batchblock Limited;
- ''**CNPD**'' means the *Comissão Nacional de Protecção de Dados* (the National Data Protection Commission in Portugal);
- ''**Collateral**'' means the security interest securing the obligations of the Issuer and the Guarantors under the Notes, the Guarantees and the New Revolving Credit Facility. See ''Description of the Notes—Security;''
- ''**Consolidated Financial Statements**'' means the audited consolidated financial statements of Arrow Global Guernsey Holdings Limited and its subsidiaries as at and for the 15 months ended December 31, 2009 and as at and for the years ended December 31, 2010 and 2011;
- ''**EEA**'' means the European Economic Area;
- ''**EU**'' means the European Union;
- ''**euro**,'' ''**EUR**'' or ''**€**'' means the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;
- ''**Existing Revolving Credit Facility**'' means the senior secured revolving credit facility which will be prepaid as part of the Refinancing. See ''Use of Proceeds'';

- ''**Financial Statements**'' means the Consolidated Financial Statements together with the Interim Financial Statements;
- ''**FSA**'' means the Financial Services Authority (and its successors), a regulatory body that regulates financial services ''providers'' and ''activities'' in the U.K.;
- ''**Guarantees**'' means the unconditional guarantees of the Notes by the Guarantors;
- ''**Guarantors**'' means Arrow Global Guernsey Holdings Limited, Arrow Global Investments Holdings Limited, Arrow Global (Holdings) Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited and Arrow Global Limited;
- ''**IFRS**'' means international financial reporting standards as adopted by the European Union;
- ''**Indenture**'' means the indenture governing the Notes offered hereby;
- ''**Initial Purchasers**'' means Goldman Sachs International and J.P. Morgan Securities plc;
- ''**Institutional Director**'' means a non-executive director appointed by RBS Asset Management Limited to the board of Arrow Global Guernsey Holdings Limited or any of its subsidiaries;
- ''**Intercreditor Agreement**'' means the intercreditor agreement among the Issuer, the Guarantors, the borrowers under the New Revolving Credit Facility, the Lenders, the Trustee, the Security Agent, the Facility Agent and the other parties named therein, dated on or about the Issue Date;
- ''**Interim Financial Statements**'' means the unaudited condensed consolidated financial statements of Arrow Global Guernsey Holdings Limited and its subsidiaries as at and for the ten months ended October 31, 2011 and 2012;
- ''**Issue Date**'' means the date of issuance of the Notes;
- ''**Issuer**'' means Arrow Global Finance plc, a public limited company incorporated under the laws of England and Wales;
- ''**New Revolving Credit Facility**'' means the new revolving credit facility made available under the credit agreement to be entered into on or about the Issue Date between the Issuer, the Guarantors and The Royal Bank of Scotland plc, as security agent. See ''Description of Other Indebtedness—New Revolving Credit Facility.''
- ''**Non-Guarantor Subsidiaries**'' means all the consolidated subsidiaries of Arrow Global Guernsey Holdings Limited, other than the Guarantors and the Issuer;
- ''**Notes**'' means the 7.875% senior secured notes due 2020 offered hereby;
- ''**OC&C**'' means OC&C Strategy Consultants;
- ''**Offering**'' means the offering of the Notes;
- ''**pounds sterling**,'' ''**£**,'' ''**sterling**,'' ''**British pound**,'' ''**GBP**,'' ''**pence**'' or ''**p**'' means the lawful currency of the U.K.;
- ''**Parent Guarantors**'' means Arrow Global Guernsey Holdings Limited and Arrow Global Investments Holdings Limited;
- ''**PCB**'' means the Pilot Collections Bureau;
- ''**Principal Shareholder**'' means the RBS Special Opportunities Fund and its affiliates;
- ''**Refinancing**'' has the meaning assigned to such term in ''Summary—The Refinancing;''
- ''**SEC**'' means the U.S. Securities and Exchange Commission;
- ''**Shareholders' Agreement**'' means the amended and restated shareholders' agreement entered into on October 25, 2011 by Arrow Global Guernsey Holdings Limited, certain of its management, our founder and executive director, RBS Asset Management Limited, Arrow Global Employee Benefit Trust and RBS Investments 1 Limited, acting as nominee for certain entities of the RBS Special Opportunities Fund;
- ''**Stabilizing Manager**'' means Goldman Sachs International;

- ‘‘**Subsidiary Guarantors**’’ means Arrow Global (Holdings) Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management and Arrow Global Limited;
- ‘‘**Trustee**’’ means The Bank of New York Mellon as Trustee under the Notes;
- ‘‘**U.K.**’’ means the United Kingdom;
- ‘‘**U.K. GAAP**’’ means generally accepted accounting practice in the United Kingdom;
- ‘‘**U.S.**’’ and ‘‘**United States**’’ means the United States of America;
- ‘‘**U.S. dollars**,’’ ‘‘**USD**’’ or ‘‘**$**’’ means the lawful currency of the United States;
- ‘‘**U.S. Exchange Act**’’ means the U.S. Exchange Act of 1934, as amended; and
- ‘‘**U.S. Securities Act**’’ means the U.S. Securities Act of 1933, as amended.

SUMMARY

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

*Unless the context otherwise requires, all references herein to ''**we**,'' ''**our**,'' ''**us,**'' and ''**the Group**'' are to Arrow and its consolidated subsidiaries.*

Overview

We are a leading purchaser of defaulted consumer debt in the U.K. and Portugal. We have grown since we were established in the U.K. in 2005 and we have built a high quality portfolio comprising approximately 3.5 million purchased accounts with an aggregate face value of £5.6 billion generating an 84-Month ERC of £406.2 million as at October 31, 2012 which we believe is one of the largest in the industry. Of the investments we have made since January 2009, 91.4%, as measured by purchase price, have been originated in the U.K. Our Unlevered Net IRR as at October 31, 2012 was 29.1%.

Since our inception we have been an innovator in building leading data assets and analytics capabilities in the market, enabling us to make more informed underwriting and collections decisions and become a market-leader in compliance. We have developed significant data assets with approximately 3.5 million purchased accounts in our own database and access to data for approximately 11 million records through the PCB, one of the U.K.'s first debt collection focused credit bureaus, which we developed with Experian. We use these data capabilities to maximize our underwriting accuracy, optimize collections by matching missing and incomplete data in the information we receive from originators and assemble a consolidated profile of each customer's circumstances so that we can assess the most appropriate and sustainable repayment solution for each account.

Our business model combines our strong data capabilities with our unique partnering approach to collections in which we use an extended network of over 60 specialist DCAs to manage the final collections activity on our behalf on a fully contingent basis using the data insight we share with them. We maintain strategic relationships with a core panel of ten DCAs who achieved approximately 69% of our Core Collections in the ten months ended October 31, 2012. This provides us with an efficient, variable cost structure and a Collection Cost Ratio which we believe is amongst the lowest in the industry. Our low fixed cost base gives us a high cash conversion rate. We convert 70 pence of every £1 we collect into Adjusted EBITDA, which we regard as our best measure of cash generation.

Our strategy is to utilize the advantages inherent within this flexible business model to purchase both paying and non-paying accounts within a broad market footprint where returns are greatest. We are particularly focused on financial services assets, the largest market segment, which account for 85% of our assets by purchase price. We also operate in the telecommunications and retail segments and are able to test new or adjacent market segments in a controlled way, thus leveraging the expertise of our specialist DCAs.

We benefit from a well-known and trusted brand whose reputation we have built over time having purchased loan portfolios from over 55 different originators. Our experienced origination team maintains close relationships with all major U.K. and Portuguese debt sellers who are increasingly looking to sell only to small panels of trusted partners with established compliance records and proven ability to close transactions. We believe we are on the panels of the vast majority of large originators in the U.K. and Portugal, which provides us with access to nearly all public auctions, and the market segment addressable by us is very broad, constituting 70% to 80% of the total defaulted consumer debt purchase market in the U.K.

We have an established record of underwriting accuracy, having collected 103% of our gross original underwriting cash targets from 2009 to October 31, 2012. As our data assets increase we are able to identify a higher number of accounts prior to underwriting, which we believe further reinforces our underwriting risk management and gives us a competitive advantage.

Risk and compliance management is at the core of our business culture and operations. We believe that compliance is integral for developing and maintaining relationships with originators. We place great importance on the fair treatment of customers and have an established record of low rates of complaints. In 2011, we had a lower rate of complaints than any rates published by our competitors. For the 12 months ended October 31, 2012, we had an average of 1.1 FOS filed complaints received by us and our DCAs per 100,000 owned accounts. We strive to be an industry leader in compliance and we were an inaugural member of the Continuous Improvement Programme established by the Debt Buyers and Sellers Group (''**DBSG**'') in partnership with PricewaterhouseCoopers.

Our business model and strategy has proved effective in supporting our growth into one of the leading debt purchasers in the U.K. and Portugal. Our Adjusted EBITDA has increased between 2009 and 2011, from £11.5 million in the 15 months ended December 31, 2009 to £44.3 million in 2011, and was £59.0 million for the 12 months ended October 31, 2012. During the same period, our 84-Month ERC, has grown from £91.2 million to £367.3 million and was £406.2 million as at October 31, 2012.

Our focus on financial services loan portfolios provides us with stable long term cashflow. These assets have a higher average balance and more than double the weighted average life of our retail and telecommunications loan portfolios and provide a high proportion of small regular monthly payments. By purchasing portfolios with a large number of existing payment plans and establishing new payment arrangements on defaulted debts, we have built a portfolio of approximately 266,000 paying accounts with an average payment of £27 per month for the three months ended October 31, 2012. As a result, we have regular, annuity-like cashflows which contributed approximately 74% to our Core Collections which were £72.8 million in the ten months ended October 31, 2012. The face value of our paying loan portfolio as at October 31, 2012 was £745 million, which represents 1.8 times our 84-Month ERC.

Our track record of innovation, compliance and financial performance has been widely recognized within the industry. We have been awarded Debt Purchaser of the Year at the Credit Today Awards in 2011, and were ranked joint number one in the annual OC&C industry index in 2012.

Strengths

We believe that we benefit from the following key strengths:

Significant Value and Predictability Embedded in Existing Backbook

We believe that we have significant value and predictable future cashflows embedded in our existing Backbook. We focus on purchasing loan portfolios that meet our investment criteria, including the ability to generate returns at or in excess of a certain rate of return, and then establishing and maintaining regular payment plans with our customers. For our purchased loan portfolios, approximately 74% of Core Collections are derived from small, regular, annuity-like payment arrangements. In the three months ended October 31, 2012, our average customer payment was £27 per month for our loan portfolios, mostly through regular payment methods such as direct debit. In addition, financial services assets account for 85% of our portfolio by purchase price and have a higher average balance and more than double the weighted average life of our retail and communications loan portfolios and provide a high proportion of small regular monthly payments. Arranging affordable and sustainable repayment plans for each customer results in a weighted average life for these portfolios of typically more than five years. This long average life provides visibility on future cash flows. In the ten months ended October 31, 2012, approximately 82% of our Adjusted EBITDA was derived from assets acquired prior to January 1, 2012.

Cash-Generative Business Model

We are highly operationally cash generative, with relatively small investment required to maintain our existing asset base and with surplus cash available to grow and reinvest in our business. In the ten months ended October 31, 2012, we converted 70% of our Core Collections to Adjusted EBITDA. We have achieved this by using our sophisticated data analytics and value-based segmentation to determine the most appropriate DCA to collect on a particular account. Over time, our DCA panel members have learned to trust and rely on the quality of our data analytics and thus we are able to agree commission rates based on our forecast of individual accounts' liquidation. This has contributed to the reduction of our Collection Activity Costs to 22 pence per £1 collected. In the 12 months ended October 31, 2012, our Backbook generated £59.0 million of Adjusted EBITDA (which we regard as our best measure of cash generation), reflecting a ratio of 70% to Core Collections. After the deduction of normalized tax and capital expenditure and the assumed interest payable on the Notes, the business would have generated £38.2 million of surplus cash before portfolio purchases in the 12 months ended October 31, 2012. We estimate that portfolio purchases of approximately £24.0 million are required to maintain a constant 84-Month ERC (which is dependent on mix, collections, the performance of our existing loan portfolios and the return characteristics of new loan portfolio acquisitions). Net of purchases required to maintain a constant 84-Month ERC, the surplus cash generation of the business in the twelve months October 31, 2012 is £14.2 million, which can be used to grow and reinvest in our business. Combined with discretionary portfolio acquisition expenditures, this provides us with significant control over liquidity. Our efficient variable cost structure gives us greater flexibility to invest in new portfolios and debt types since we do not need to support the high fixed cost base of a collections operation.

Leading Position in the Attractive Defaulted Consumer Debt Purchase Market

Customer defaults are a structural component of unsecured lending. According to an industry report, the annual face value of accounts sold in the U.K. debt purchase market is expected to reach approximately £14 billion by 2015, including secondary and backlog sales, an 11% per annum increase from 2011. It anticipates the aggregate expenditure in the U.K. market to increase from £736 million in 2011 to £1,373 million in 2015, implying an average annual growth rate of approximately 17%. We are well placed to benefit from such growth. Our strong relationships with DCAs and debt sellers give us the flexibility to purchase in the segments where we expect the greatest returns without being constrained by our own operational capabilities.

We are a leader in the defaulted consumer debt purchase market. From January 2009 to October 31, 2012, we have invested £225.9 million in the acquisition of 88 purchased loan portfolios, with an aggregate face value of £5.6 billion, comprising approximately 3.5 million purchased accounts. In 2011 we were the largest acquirer of debt by face value and the largest acquirer of debt by purchase price in the U.K. according to an industry report. We believe we are a leading player in the financial services sector, which is the biggest segment and accounted for £12 billion of the £16 billion of new defaulted consumer debt created in the U.K. in 2011. We believe that our strong relationships with originators will allow us to benefit from the expected growth in the U.K. defaulted consumer debt purchase market. We believe that we have maintained a 10 to 15% share of the U.K. consumer debt purchase market in 2011 and 2012.

The Portuguese debt purchase market is a similarly attractive market, due to its early stage of development, significant stock of defaulted loans and an established regulatory framework. We believe that addressable defaulted consumer debt stock has increased 25% per annum since 2010. We believe we are the market leader in the purchase of unsecured defaulted consumer loans in Portugal and expect to continue to pursue attractive opportunities to acquire loan portfolios in Portugal.

Flexible Business Model with Collection through DCAs

Our business model combines our data capabilities with our unique partnering approach to collections. Using data analytics to determine the most efficient, effective and compliant collection strategy, we place accounts with members of our panel of specialist DCAs. Each DCA works with customers to develop a payment solution appropriate for a customer's individual circumstances, within parameters agreed with us. This provides us with scalable operations, and an efficient variable cost structure, which allows us to take on additional portfolio opportunities at low incremental overhead costs. Since our DCA partners operate on a fully contingent basis with commission rates fixed at the point of placement, 70% of our total costs relate to Collection Activity Costs and are largely variable. We have a relatively small fixed cost base with 90 full time employees as at December 31, 2012. Our total Core Collections grew from £22.5 million in the 15 months ended December 31, 2009 to £68.2 million in the year ended December 31, 2011, while our fixed costs increased from £4.8 million to £7.4 million during the same period. The quality of information we produce from our data assets and provide to our DCAs helps to improve accuracy of the forecasts and therefore reduces our costs as we can pay lower contingent fees on the accounts which are expected to yield higher returns with lower servicing efforts. We believe that DCAs accept these lower contingent fees because they trust our collection forecasts. This approach has reduced our Collection Cost Ratio from 29.1% in 2009 to 26.6% in 2011 and 21.7% in the ten months ended October 31, 2012. As at June 30, 2012, according to a market study, we had one of the lowest Collection Cost Ratios in the industry.

Leading Data and Analytics Capabilities

Since our inception we have been an innovator in building leading data assets and capabilities in the market, enabling us to make more informed underwriting and pricing decisions. Our key innovations have included the creation of UniView, a sophisticated single customer view system of data consolidation, the creation of bespoke interfaces to access publicly available data and the development of a proprietary interface with our U.K. credit bureau partners to make monthly updates to our internal customer database. In 2011 we partnered with Experian to launch the PCB, one of the U.K.'s first debt collection focused credit bureaus. We have one of the largest databases of defaulted customers in the U.K., with approximately 3.5 million purchased accounts in our own database and approximately 11 million records in the PCB. We believe this is a competitive advantage when assessing the risk and appropriate price for a loan portfolio at the time of purchase. In the four months to October 31, 2012, our large set of data assets permitted us to match on average 30% of customers in a typical portfolio sales file, forming the basis of accurate pricing. During the period from May 2011 to December 2011, prior to the development of the PCB, we were able to match on average 13% of customers in a typical sales portfolio, as compared to an average of 18% for the period from January 2012 to June 2012. Our fixed cost contract with a leading U.K. credit referencing agency enables us to trace each of our approximately 3.5 million purchased accounts every month at zero marginal cost. We believe this provides us with the lowest average cost of tracing in the industry at less than 0.1 pence per account traced per month. Our proprietary customer credit report allows us to identify the most up to date contact information and personal and financial circumstances for each customer. This in turn allows us to significantly improve our portfolio forecasting and to optimize our account placement while improving compliance and the customer experience. This also benefits our DCA partners, since they are better able to establish payment plans with customers using our data-enhanced accounts without incurring any data gathering and analysis costs themselves.

Diversified and Sustainable Origination Capabilities

We benefit from a well-known and trusted brand whose reputation we have built over time having purchased loan portfolios from over 55 different originators and over 80% of our loan portfolio purchases in the 12 months ended October 31, 2012 were from clients from whom we had purchased previously. Stable, long-term relationships with originators are important because they increasingly look to sell only to small panels of trusted partners with established compliance records and proven ability to complete transactions. We have developed strong relationships with all of the major vendors in our key markets and believe we are on the panel of the vast majority of large originators in the U.K. and Portugal, which provides us with access to 70% to 80% of all defaulted consumer debt portfolios sold in the U.K. In the ten months ended October 31, 2012, we acquired loan portfolios from 18 different vendors. In addition to the strength of our brand and platform, we benefit from one of the most experienced origination teams in the industry who have cumulatively invested over $1 billion in debt purchase transactions in the U.K. and Europe over the course of their careers.

We believe that our business model provides a competitive advantage in origination. By using a number of specialist DCAs to maximize our collections, we are not limited to purchasing portfolios that suit the capacities of specialized in-house collection operations. Our model has enabled us to purchase a number of large and diversified loan portfolios from originators who are looking to sell highly diverse accounts in a single transaction. We believe we are also the largest debt purchaser in the U.K. whose business model is well suited to leaving accounts *in situ*, i.e., loan portfolios whose accounts are already placed with DCAs. Unlike other debt purchasers, we will not remove the debt from the current DCA to place it with in-house collection teams. DCAs support our bids to acquire these portfolios since we leave the purchased loan portfolios in place at the DCAs upon acquisition. In addition, not recalling accounts minimizes migration risk and breakage rates, which we can price into the loan portfolio purchase. Since 2011, we have invested approximately £122 million in such *in situ* portfolios which constitutes 78% of our total purchased portfolios.

Disciplined Underwriting

We have an established record of achieving collections against our original underwriting projections, having collected 103% of our gross original underwriting cash targets from 2009 to October 31, 2012. To achieve this result, we apply a comprehensive, multi-stage approach to identify and acquire debt portfolios on which we expect to generate high returns. Our senior management is active in each stage of the origination and underwriting processes, regularly reviewing the origination pipelines to select attractive opportunities and taking part in three separate ''gate'' meetings providing approvals to pursue the opportunities before the submission of a final bid. In addition, our Portfolio Review Committee monitors Core Collections, updated ERC forecasts and operational campaigns focusing on any indicators of impairment. Any trends of underperformance are also identified by the Underwriting

Committee to ensure these are reflected in the pricing models. Our implementation team conducts detailed and comprehensive due diligence of each portfolio being considered. Our account level pricing models are supported by our extensive data assets and analytics capabilities, including UniView, our proprietary database comprising all consolidated information available for any single customer, including their multiple outstanding accounts. This enables us to better understand the account characteristics and customers' circumstances and ability to pay. This helps us forecast future collections based on performances for similar accounts from previously acquired portfolios. The approximately 11 million records in the PCB, including those in our internal database of approximately 3.5 million purchased accounts, allow us to identify and match a high number of accounts at underwriting, which helps us in the accuracy of our underwriting forecast and portfolio pricing.

Wealth of Management Experience and High Level of Skilled Staff

We are managed by a leadership team with extensive experience, and our six senior executives together have over 100 years of risk management, credit and finance experience. Our CEO, Tom Drury, has over 15 years executive leadership experience, including as Group Chief Executive of a FTSE 250 company. Our Executive Director, Zachary Lewy, is highly regarded as a leader in industry innovation and serves as chairman of our industry's trade association. Our CFO, Rob Memmott has over 15 years experience in senior financial leadership roles within private equity backed and listed companies. See ''Management—Arrow Global Limited—Senior Management.''

Data assets and analytics are at the core of the business, and this is reflected in our highly qualified and skilled staff, which we regularly train. Over 87% of our employees have a tertiary qualification and over 50% have a postgraduate or professional qualification. We believe that our low annual staff turnover of less than 10% in 2012 also contributes to our success.

Strategies

Our strategy is to leverage our differentiated business model and leading position in the U.K. and Portuguese debt purchasing markets to continue to selectively acquire portfolios that meet our stringent investment criteria to deliver attractive returns on portfolio purchases.

Build on Flexible Business Model and Our Strong Relationships with Originators

We have developed strong relationships with credit originators, which have enabled us to maintain our leading position within the markets in which we operate. We intend to build on our business model and strong franchise and reputation to further enhance our relationships with originators and develop strategic partnerships with them. We believe that this will help us yield new acquisition opportunities and further increase the volume of transactions we are able to complete outside of traditional auction processes. We anticipate this strategy will be supported by an increasing sale of *in situ* portfolios. We also expect to continue leveraging the flexibility provided by our business model to maintain our activities in Portugal and to continue to purchase small trial portfolios in new and adjacent sectors.

Further Enhancing Net Collections Through Innovation, Data Sophistication and Efficiency

We have a history of successful innovation, which we intend to continue in order to maximize our strengths and maintain our leading position in the debt purchasing market. When we were established in 2005, we imported the concept of a scalable business model with our partnering approach to collections from our U.S. parent and adapted it for the U.K. market, becoming the only major debt purchaser in the U.K. that performed all of its analytics in-house and leveraged an external network of specialist DCAs for collection activities. We have also introduced a number of other innovations, including the development in 2009 of the consolidated single-customer profile enabling optimized customer level collection strategies. We also moved away from portfolio level strategies through a segmentation methodology for separating individual accounts into value categories based on expected repayment value forecast, enabling us to develop the most appropriate and efficient servicing strategy for each individual account. In addition, in 2011, we launched the PCB, one of the U.K.'s first debt collection focused credit bureaus aimed at increasing our match rates at underwriting and thereby helping us enhance regulatory compliance, underwriting accuracy and net collections.

We intend to continue to leverage these innovations and continuous enhancement of our data analytics capabilities to further increase the number of accounts that generate regular, stable cash flows, thus maximizing our Net Core Collections. Indeed, we believe that the better we get at analyzing customer data and identifying accounts with a high propensity to generate cash flows, the greater will be our efficiency and our resulting Net Core Collections on owned portfolios.

Maintain a Disciplined Portfolio Acquisition Process

Our systematic and disciplined approach to underwriting has allowed us to collect 103% of our gross original underwriting cash targets from 2009 to October 31, 2012. We intend to maintain this discipline while prudently investing in accretive portfolios to grow the business. We expect our business model to continue to support purchasing discipline by giving us greater control and flexibility to purchase the portfolios we assess may offer the strongest risk adjusted returns. The variability of our cost model will continue to support ultimate flexibility in purchasing discipline as we will not need to invest solely in order to maintain an in-house collection center when the portfolios available fail to meet our returns targets.

Recent Developments

Preliminary Financial Results

Our preliminary financial results for the year ended December 31, 2012 indicate that Adjusted EBITDA increased to £61.9 million, compared to £44.3 million for the year ended December 31, 2011. As at December 31, 2012, 84-Month ERC and 120-Month ERC have increased to £464.4 million and £551.3 million, respectively, as compared to £367.3 million and £442.2 million, respectively, as at December 31, 2011. During the year ended December 31, 2012, total revenue increased to £65.8 million from £49.9 million in the year ended December 31, 2011, and operating profit increased to £31.3 million compared to £21.3 million in the year ended December 31, 2011. During the year ended December 31, 2012, net cash flow from operating activities before purchases of purchased loan portfolios increased to £49.2 million compared to £35.0 million for the year ended December 31, 2011, and we acquired debt portfolios with a face value of £946.0 million for a purchase price of £83.9 million. These acquisitions, net of amortization, have increased our purchased loan portfolios to £208.2 million as at December 31, 2012, from £150.0 million as at December 31, 2011. For a reconciliation of net cash flow from operating activities to Adjusted EBITDA for the year ended December 31, 2012, see ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments.''

In December, 2012, we entered into an agreement to acquire an entity that holds loan portfolios with a face value of £670.7 million. If this acquisition closes, we expect it to add an additional £35.2 million to 84-Month ERC and £40.1 million to 120-Month ERC.

Our financial statements for the year ended December 31, 2012 have not yet been completed. During the course of our financial statements closing process we could identify items that would require us to make adjustments that could affect the results of operations for this period and the results discussed above. Because these results are preliminary, they could change. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results may differ materially from (and be more negative than) that referenced above. These statements should be read in conjunction with the cautionary statements under ''Forward-Looking Statements'' and ''Risk Factors.''

The Refinancing

In connection with the completion of the Offering, we will:

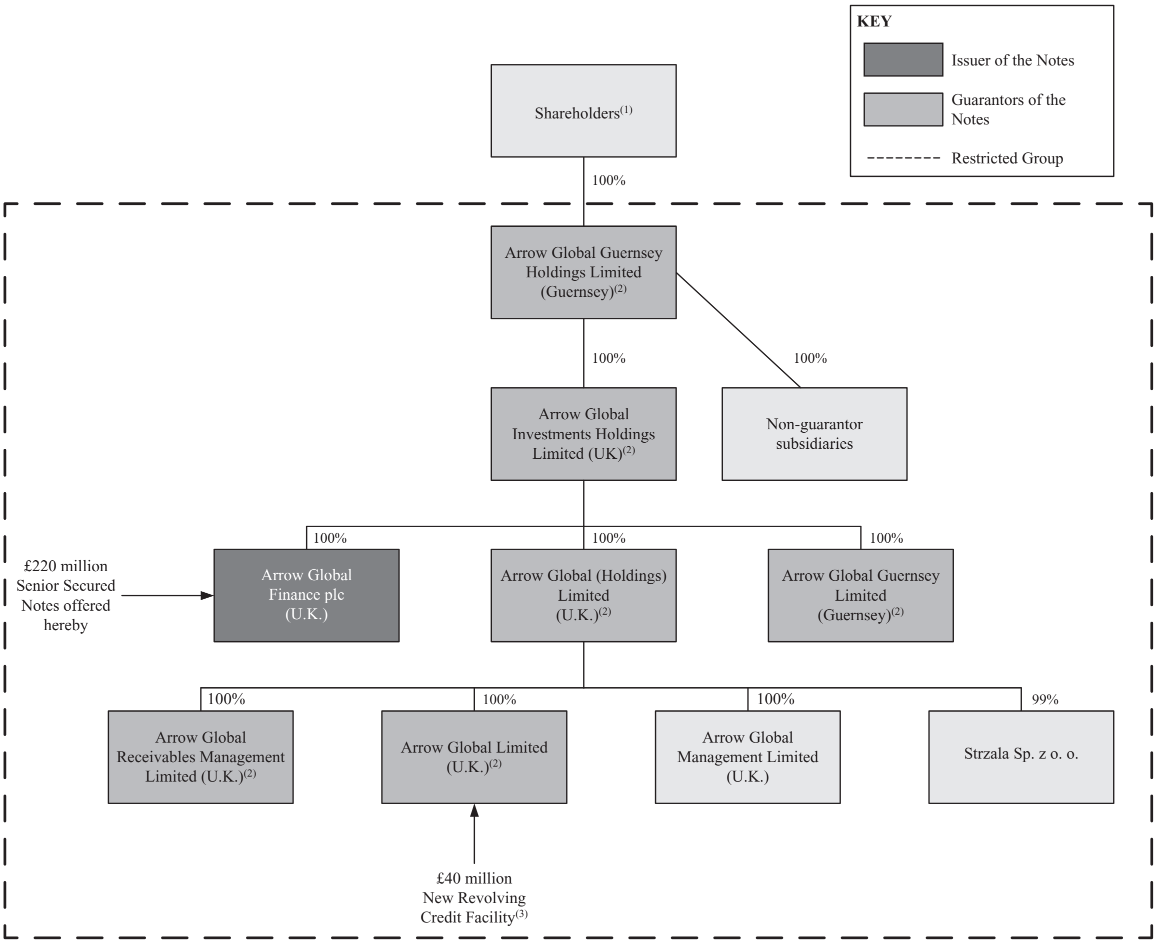
- repay in full the £97.2 million expected to be outstanding as at the Issue Date under our Existing Revolving Credit Facility and terminate such facility;
- use £80 million of the proceeds of the Offering to redeem all of the the non-controlling interest loan (including accrued and unpaid interest) and a portion of the shareholders' loan (including accrued and unpaid interest). The shareholders' loan consists of shareholder loan notes issued by Arrow Global Guernsey Holdings Limited;
- convert the remainder of the shareholder loan notes into equity in Arrow Global Guernsey Holdings Limited;
- enter into a new five year £40 million senior secured revolving credit facility (the ''**New Revolving Credit Facility**'') under which no borrowings will be made upon the closing of the Offering;
- pay fees and expenses in connection with the Refinancing; and

- use the remainder of the proceeds from the Offering for general corporate purposes, which may include loan portfolio acquisitions.

Throughout this Offering Memorandum, we generally refer to the above steps and transactions and the use of proceeds from the Offering, collectively, as the ''**Refinancing**.'' See ''Description of Other Indebtedness'' for a description of our New Revolving Credit Facility.

Corporate Structure

At or prior to the completion of the Offering, the Group will be reorganized. As part of the reorganization Arrow Global Limited will acquire the trade and assets currently owned by Arrow Global Guernsey Limited. Arrow Global Limited will become the principal operating company. The following chart shows a summary of our corporate structure expected to be in place upon the completion of the Offering:



(1) Through RB Investments 1 Limited, the RBS Special Opportunities Fund beneficially owns 100% of our A Ordinary Shares (with voting rights). Management and the Arrow Global Employee Benefit Trust own 100% of the B, C and D Ordinary Shares. See ''Principal Shareholders.''

(2) As at October 31, 2012, the Guarantors held 98% of our total assets and were responsible for 100% of our liabilities on an unconsolidated basis. For the ten months ended October 31, 2012, the Guarantors were responsible for 97% of Adjusted EBITDA, on an unconsolidated basis, and 98% of our revenue, on an unconsolidated basis. The obligations of the Issuer and the Guarantors under the Notes, the Indenture and the New Revolving Credit Facility will be secured by a security interest in substantially all of the assets of the Issuer and the Guarantors, including in the share capital of Arrow Global Investments Holdings Limited, the Issuer and the Subsidiary Guarantors, certain intercompany loans and certain bank accounts as more specifically described under ''Description of the Notes—Security.'' See ''Description of the Notes'' for a description of the terms of the Notes.

(3) The New Revolving Credit Facility will provide for up to £40 million of senior secured credit borrowings and other ancillary facilities. We do not expect to draw down funds under our New Revolving Credit Facility at the closing of the Offering. All of the Obligors under the New Revolving Credit Facility will also guarantee the Notes.

THE OFFERING

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

Issuer . . . . Arrow Global Finance plc, a public limited company under the laws of England and Wales.

Notes Offered . . . . £220 million aggregate principal amount of its 7.875% Senior Secured Notes due 2020.

Issue Date . . . . January 29, 2013.

Maturity Date . . . . March 1, 2020.

Interest Payment Dates . . . . Semi-annually in arrears on March 1 and September 1 of each year, commencing September 1, 2013. Interest will accrue from the Issue Date.

Issue Price . . . . 100% plus accrued interest, if any, from the Issue Date.

Denominations . . . . The Notes will have a minimum denomination of £100,000 and any integral multiple of £1,000 in excess thereof. Notes in denominations of less than £100,000 will not be available.

Guarantees . . . . The obligations of the Issuer under the Notes and the Indenture will be guaranteed on a senior secured basis by the Guarantors. See ''Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations'' for information on limitation of the Guarantees.

As at October 31, 2012, the Guarantors held 98% of our total assets and were responsible for 100% of our total liabilities on an unconsolidated basis. For the ten months ended October 31, 2012, the Guarantors were responsible for 97% of Adjusted EBITDA and 98% of revenue on an unconsolidated basis.

Ranking of the Notes . . . . The Notes will:

- rank equally in right of payment with all the Issuer's existing and future indebtedness that is not subordinated in right of payment to the Notes;
- be general, senior obligations of the Issuer, secured by first-ranking security interests in the Collateral as set forth below under ''—Security;''
- rank senior in right of payment to all of the Issuer's existing and future indebtedness that is subordinated in right of payment to the Notes;
- be effectively senior to all of the Issuer's existing and future unsecured indebtedness to the extent of the value of the property or assets securing the Notes; and
- be effectively subordinated to all of the Issuer's existing and future secured indebtedness that is secured by property or assets that do not secure the Notes to the extent of the value of the property or assets securing such indebtedness.

Ranking of the Guarantees	The Guarantee of each Guarantor will be a general obligation of such Guarantor and will: • rank equally in right of payment to all existing and future indebtedness of such Guarantor that is not subordinated in right of payment to the Guarantees; • rank senior in right of payment to all existing and future indebtedness of such Guarantor that is subordinated in right of payment to such Guarantees; • be effectively senior to all existing and future unsecured indebtedness of such Guarantor to the extent of the value of the property or assets securing the Notes; and • be effectively subordinated to all existing and future indebtedness of such Guarantors that is secured by liens senior to the liens securing the Guarantees, or secured by property and assets that do not secure the Guarantees, to the extent of the value of the property and assets securing such Indebtedness.
Security	The obligations of the Issuer and the Guarantors under the Notes and the Indenture will be secured by: • a first-ranking security interest over all shares in the share capital of the Issuer; • a first-ranking security interest over all shares in the share capital of each of the Subsidiary Guarantors, Arrow Global Investments Holdings Limited, Arrow Global Debt Limited, Arrow Global Management Limited, Arrow Global Portugal Limited and any Trust Management SPV (as defined herein); • an assignment of the intercompany loans from the Issuer, as lender, to one or more restricted subsidiaries, as borrowers, of the proceeds of the Offering; and • a first-ranking security interest over substantially all of the assets of each of the Issuer and the Guarantors. See ''Risk Factors—Risks Relating to the Notes and Guarantees'' for risks relating to the Collateral.
Intercreditor Agreement	The indebtedness and obligations under the Notes and the Guarantees, the New Revolving Credit Facility and certain other existing and future indebtedness and obligations permitted under the Indenture will be secured by first-priority liens on the Collateral. Under the terms of the Intercreditor Agreement, however, in the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility and counterparties to certain priority hedging obligations have been repaid in full. See ''Description of Other Indebtedness—Intercreditor Agreement.''
Optional Redemption	At any time prior to March 1, 2016, the Issuer may redeem all or part of the Notes at 100% of their principal amount, plus accrued and unpaid interest, if any, up to the redemption date, plus the applicable make-whole premium as defined under ''Description of the Notes—Optional Redemption.''

	The Issuer may redeem all or part of the Notes on or after March 1, 2016 at the redemption prices described under ''Description of the Notes—Optional Redemption.'' Prior to March 1, 2016, the Issuer may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 35% of the principal amount of the Notes at redemption prices equal to 107.875% of the principal amount of such Notes plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, *provided* that at least 65% of the original principal amount of such Notes remains outstanding after the redemption. See ''Description of the Notes—Optional Redemption.''
Additional Amounts; Tax Redemption	All payments in respect of the Notes or with respect to any Guarantee will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Issuer or the relevant Guarantor, as applicable, will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction. See ''Description of the Notes—Additional Amounts.'' The Issuer may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes, and, as a result, the Issuer or a Guarantor is required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay you a price equal to the principal amount of the Notes plus interest and Additional Amounts, if any, to the date of redemption. See ''Description of the Notes—Optional Redemption—Redemption upon Changes in Withholding Taxes.''
Tax Redemption	We may redeem the Notes in whole, but not in part, at any time, upon giving proper notice, if changes in tax laws impose certain withholding taxes on amounts payable on the Notes. If we decide to do this, we must pay you a price equal to the principal amount of the Notes plus accrued and unpaid interest and Additional Amounts, if any. See ''Description of the Notes—Redemption for Changes in Taxes.''
Change of Control Triggering Event	If either of the Parent Guarantors experiences a Change of Control Triggering Event, the Issuer will be required to offer to repurchase the Notes at 101% of their principal amounts plus accrued interest to the date of such repurchase. See ''Description of the Notes—Certain Covenants—Change of Control.''
Certain Covenants	The Issuer will issue the Notes under the Indenture. The Indenture will limit, among other things, the ability of the Parent Guarantors and their restricted subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments;

- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of the subsidiaries of the Parent Guarantors to pay dividends or make other payments to us;
- transfer, lease or sell certain assets including subsidiary stock;
- enter into certain transactions with affiliates;
- effect a consolidation or merger; and
- impair the security interests for the benefit of the holders of the Notes.

Each of these covenants is subject to a number of significant exceptions and qualifications. See ''Description of the Notes—Certain Covenants'' and the related definitions.

Use of Proceeds	We estimate that we will receive gross proceeds of approximately £220 million from the Offering, before deducting the Initial Purchasers' discounts and commissions and estimated expenses payable by us. We currently intend to use the net proceeds from the Offering (estimated to be £211 million) to repay in full our borrowings under our Existing Revolving Credit Facility, repay a portion of our shareholders' loan (including accrued and unpaid interest) and non-controlling interest loan and pay certain fees and expenses in connection with the Refinancing and for general corporate purposes, including acquisitions of loan portfolios. See ''Use of Proceeds.''
Conflict of Interest	See ''Plan of Distribution.''
Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See ''Transfer Restrictions'' and ''Plan of Distribution.''
Absence of a Public Market for the Notes	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Luxembourg Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Listing	Application has been made for listing particulars to be approved by the Luxembourg Stock Exchange and for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market.
Trustee	The Bank of New York Mellon.
Security Agent	The Royal Bank of Scotland plc.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.

Principal Paying Agent and Transfer Agent	The Bank of New York Mellon.
Governing Law	The Indenture and the Notes will be governed by the laws of the State of New York. The Intercreditor Agreement will be governed by the laws of England and Wales. The New Revolving Credit Facility will be governed by the laws of England and Wales. The security documents will be governed by the laws of England and Wales. Security over Guernsey *situs* or Guernsey law-governed assets will be subject to a Guernsey law-governed security interest agreement.
Risk Factors	Investing in the Notes involves a high degree of risk. See ''Risk Factors'' beginning on page 20 for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

We have included in this Offering Memorandum the Financial Statements of Arrow Global Guernsey Holdings Limited, the parent company of the Issuer and a guarantor of the Notes. This consolidated financial data differs in certain respects from the financial data of the Issuer. Accordingly, all references to ''we,'' ''us'' or ''our'' in respect of our historical consolidated financial information in this Offering Memorandum are to Arrow Global Guernsey Holdings Limited and its subsidiaries on a consolidated basis. See ''Presentation of Financial and Other Information.''

The following tables summarize our historical consolidated financial data as at the dates and for the periods indicated and has been derived from our audited Consolidated Financial Statements as at and for the 15 months ended December 31, 2009 and as at and for the years ended December 31, 2010 and 2011 and the related notes and from our unaudited Interim Financial Statements as at and for the ten months ended October 31, 2011 and 2012 and the related notes included elsewhere in this Offering Memorandum, except as discussed below. The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (''**IFRS**''). The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union (''**IAS 34**''). The Summary Historical Consolidated Financial Data include certain financial measures and ratios that are not determined in accordance with IFRS. See ''Presentation of Financial Statements and Other Information.''

The presentation of certain items included herein for the 15 months ended December 31, 2009 and the 12 months ended December 31, 2010 and 2011 differs from the presentation in the Consolidated Financial Statements included elsewhere in this Offering Memorandum due to a change in classification in order to present these items in a manner that is consistent with the presentation in the Interim Financial Statements, which reflects both a fairer presentation in light of the requirements of IAS 7 ''Statement of Cash Flow'' and industry practice. This reclassification results in a change in the presentation of purchases of purchased loan portfolios to be accounted for within net cash flow from operating activities rather than within net cash flow from investing activities. The Consolidated Financial Statements included within this Offering Memorandum have not been amended in this regard. See ''—Consolidated Statement of Cash Flows.''

As a result of a reorganization of our business in 2009 in connection with our acquisition by the RBS Special Opportunities Fund, our Consolidated Financial Statements for 2009 include the 15-month period from October 8, 2008 to December 31, 2009. In connection with the reorganization, Arrow Global Guernsey Holdings Limited was incorporated on October 8, 2008 and remained dormant until January 22, 2009, when it acquired certain businesses and assets from a subsidiary of Sallie Mae and from RB Investments 1 Limited. Accordingly, the financial information presented for the year ended December 31, 2010 and the corresponding information presented for the 15 months ended December 31, 2009 is not directly comparable.

In addition, this Offering Memorandum includes certain unaudited consolidated financial information for the 12 months ended October 31, 2012. This information was derived by adding our consolidated financial information for the year ended December 31, 2011 derived from the Consolidated Financial Statements to our unaudited consolidated financial information for the ten months ended October 31, 2012 derived from the Interim Financial Statements and subtracting our unaudited consolidated financial information for the ten months ended October 31, 2011 derived from the Interim Financial Statements. This data 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.

This financial information should be read in conjunction with the Financial Statements included elsewhere in this Offering Memorandum and with ''Presentation of Financial and Other Information,'' ''Selected Historical Consolidated Financial Data'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations.''

Consolidated Statement of Comprehensive Income

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009[6]	2010	2011	2011	2012	2012
			(£ thousands)			
Continuing operations						
Revenue						
Income from purchased loan portfolios	14,225	17,962	47,493	38,949	50,501	59,045
Portfolio write-up[1]	1,448	5	816	816	856	856
Profit/(loss) on portfolio and loan note sales	204	1,632	(25)	(406)	318	699
Other income[2]	1,055	441	1,602	427	1,597	2,772
Total revenue	**16,932**	**20,040**	**49,886**	**39,786**	**53,272**	**63,372**
Total operating expenses	(12,000)	(14,167)	(28,545)	(22,518)	(28,356)	(34,383)
Operating profit	**4,932**	**5,873**	**21,341**	**17,268**	**24,916**	**28,989**
Profit recognized on acquisition of subsidiary[3]	3,188	—	—	—	—	—
Interest expense[4]	(6,434)	(7,882)	(15,132)	(12,459)	(15,708)	(18,381)
Profit/(loss) before tax	**1,686**	**(2,009)**	**6,209**	**4,809**	**9,208**	**10,608**
Taxation charge on ordinary activities .	—	(45)	(2,006)	(1,672)	(2,565)	(2,899)
Loss for the period from discontinued operations[5]	(379)	—	—	—	—	—
Profit/(loss) for the period attributable to equity shareholders	**1,307**	**(2,054)**	**4,203**	**3,137**	**6,643**	**7,709**
Foreign exchange translation difference arising on revaluation of foreign operations	(158)	(10)	(291)	(332)	(62)	(21)
Total comprehensive income/(loss) for the period attributable to equity shareholders	**1,149**	**(2,064)**	**3,912**	**2,805**	**6,581**	**7,688**

(1) Portfolio write-up represents adjustments arising when the carrying values of the loan portfolios are assessed with reference to the latest 84-Month ERC discounted at the EIR, or when impairments are recorded.

(2) Other income consists of interest income and profit on disposal of secured loan notes and income from asset management.

(3) Profit recognized on acquisition of subsidiary consists of negative goodwill recognized as part of a business combination that arose in relation to our acquisition by the RBS Special Opportunities Fund during the 15 months ended December 31, 2009.

(4) Interest expense includes shareholder interest expense, interest on bank loans, interest on non-controlling interest loans, and the fair value movement on interest rate swaps.

(5) Loss for the period from discontinued operations relates to the disposal of our interest in the assets of Strzala Sp. z o.o. during the 15 months ended December 31, 2009.

(6) We began operations on January 22, 2009.

Consolidated Balance Sheet

	As at December 31,	As at December 31,		As at October 31,	
	2009	2010	2011	2011	2012
		(£ thousands)			
Assets					
Non-current assets					
Purchased loan portfolios	32,402	48,280	114,883	84,182	137,302
Other non-current assets[(1)]	3,600	2,851	4,090	3,776	4,081
Total non-current assets	**36,002**	**51,131**	**118,973**	**87,958**	**141,383**
Current assets					
Cash and cash equivalents	13,038	4,681	6,440	12,902	13,998
Purchased loan portfolios	8,109	14,155	35,122	25,736	36,498
Other current assets[(2)]	2,639	1,576	6,048	4,983	7,005
Total current assets	**23,786**	**20,412**	**47,610**	**43,621**	**57,501**
Total assets	**59,788**	**71,543**	**166,583**	**131,579**	**198,884**
Total purchased loan portfolios	*40,511*	*62,435*	*150,005*	*109,918*	*173,800*
Equity					
Total equity attributable to shareholders	**1,165**	**(899)**	**3,010**	**1,903**	**9,591**
Liabilities					
Non-current liabilities					
Bank loan	—	—	58,983	29,718	61,367
Shareholders' loan	47,964	55,725	91,703	89,434	103,947
Other non-current liabilities[(3)]	2,292	1,547	1,950	1,904	2,558
Total non-current liabilities	**50,256**	**57,272**	**152,636**	**121,056**	**167,872**
Current liabilities					
Bank loan	—	7,027	—	—	11,000
Other current liabilities[(4)]	8,367	8,143	10,937	8,620	10,421
Total current liabilities	**8,367**	**15,170**	**10,937**	**8,620**	**21,421**
Total liabilities	**58,623**	**72,442**	**163,573**	**129,676**	**189,293**
Total equity and liabilities	**59,788**	**71,543**	**166,583**	**131,579**	**198,884**

(1) Other non-current assets consists of goodwill, other intangible assets, property, plant and equipment, secured loan notes and amounts due from related parties, as applicable.

(2) Other current assets consists of other receivables, secured loan notes, current tax asset, deferred tax asset, derivative asset and amounts due from related parties, as applicable.

(3) Other non-current liabilities consists of non-controlling interest loan and deferred consideration, as applicable.

(4) Other current liabilities consists of trade and other payables, derivative liability, deferred consideration and current tax liability, as applicable.

Consolidated Statement of Cash Flows

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	2010	2011	2011	2012	2012
	(£ thousands)					
Net cash flow from operating activities before purchases of purchased loan portfolios	11,907	14,069	35,043	26,756	40,349	48,636
Purchases of purchased loan portfolios	(5,768)	(29,613)	(109,744)	(65,842)	(45,695)	(89,597)
Net cash flow from operating activities[(1)]	6,139	(15,544)	(74,701)	(39,086)	(5,346)	(40,961)
Net cash flow from investing activities[(1)]	(36,919)	(265)	(1,777)	(1,162)	(630)	(1,245)
Net cash flow from financing activities	41,641	7,462	78,224	48,484	13,704	43,444
Net increase (decrease) in cash and cash equivalents	**10,861**	**(8,347)**	**1,746**	**8,236**	**7,728**	**1,238**

(1) The presentation of certain items included herein for the 15 months ended December 31, 2009 and the 12 months ended December 31, 2010 and 2011 differs from the presentation in the Consolidated Financial Statements included elsewhere in this Offering Memorandum due to a change in classification in order to present these items in a manner that is consistent with the presentation in the Interim Financial Statements, reflects both a fairer presentation in light of the requirements of IAS 7 ''Statement of Cash Flows'' and industry practice. This reclassification results in a change in the presentation of Purchases of purchased loan portfolios to be accounted for within Net cash flow from operating activities rather than within Net cash flow from investing activities as presented in the Consolidated Financial Statements, and results in a decrease in Net cash flow from operating activities and an increase in Net cash flow from investing activities of £109.7 million and £29.6 million for the 12 months ended December 31, 2011 and 2010 respectively and £5.8 million for the 15 months ended December 31, 2009 as follows:

	15 months ended December 31,		12 months ended December 31,			
	2009		2010		2011	
	As originally stated	As re-presented	As originally stated	As re-presented	As originally stated	As re-presented
	(£ thousands)					
Net cash flow from operating activities before purchases of purchased loan portfolios	11,907	11,907	14,069	14,069	35,043	35,043
Purchases of purchased loan portfolios	—	(5,768)	—	(29,613)	—	(109,744)
Net cash flow from operating activities	11,907	6,139	14,069	(15,544)	35,043	(74,701)
Net cash flow from investing activities	(42,687)	(36,919)	(29,878)	(265)	(111,521)	(1,777)
Net cash flow from financing activities	41,641	41,641	7,462	7,462	78,224	78,224
Net increase (decrease) in cash and cash equivalents	**10,861**	**10,861**	**(8,347)**	**(8,347)**	**1,746**	**1,746**

This reclassification did not affect our consolidated balance sheets or our consolidated statements of comprehensive income for any of the prior periods, nor did it affect the net increase (decrease) in cash or cash equivalents reported for any of the prior periods. The Consolidated Financial Statements included within this Offering Memorandum have not been amended in this regard.

Net Debt

	As at December 31,	As at December 31,		As at October 31,	
	2009	2010	2011	2011	2012
		(£ thousands)			
Cash and cash equivalents	13,038	4,681	6,440	12,902	13,998
Bank loan—non-current	—	—	(58,983)	(29,718)	(61,367)
Bank loan—current	—	(7,027)	—	—	(11,000)
Unamortized debt issue costs	—	—	(2,205)	(1,167)	(2,007)
Net Debt[(1)]	**13,038**	**(2,346)**	**(54,748)**	**(17,983)**	**(60,376)**

(1) Net Debt represents third party debt less cash and cash equivalents, but does not include shareholders' loan or unamortized debt issue costs.

Other Financial Data

	As at and for the					
	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	2010	2011	2011	2012	2012
84-month ERC *(£ millions)*[(1)]	91.2	161.8	367.3	269.8	406.2	406.2
120-month ERC *(£ millions)*[(2)]	109.4	191.7	442.2	323.9	487.8	487.8
Purchases of purchased loan portfolios *(£ thousands)*[(3)]	42,028	29,613	109,744	65,842	45,695	89,597
Number of accounts *(thousands)*[(4)]	512	1,239	3,245	3,122	3,450	3,450
Number of purchased loan portfolios[(5)]	38	50	71	66	88	88
Core Collections[(6)] *(£ thousands)*	22,498	25,646	68,248	57,049	72,804	84,003
Collection Activity Costs *(£ thousands)*[(7)]	6,537	6,902	18,152	15,237	15,797	18,712
Collection Cost Ratio[(8)]	29.1%	26.9%	26.6%	26.7%	21.7%	22.3%
Adjusted EBITDA *(£ thousands)*[(9)]	11,460	13,832	44,314	36,561	51,206	58,959
Adjusted EBITDA ratio[(10)]	50.9%	53.9%	64.9%	64.1%	70.3%	70.2%

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

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

(3) Purchased loan portfolios represents the purchase price of our purchased loan portfolios excluding related acquisition expenses. This amount includes £36.3 million of cash consideration paid during the 15 months ended December 31, 2009 in connection with the purchase by the Group of businesses and assets from Sallie Mae and from RB Investments 1 Limited, representing the cash cost to the Group, excluding portfolio acquisition costs, of these portfolios.

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

(5) Number of purchased loan portfolios means the cumulative number of loan portfolios that were acquired as of the date specified.

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

(7) Collection Activity Costs represent the direct costs of external collections related to our loan portfolios such as commissions paid to third party outsourced providers, credit bureau data costs, legal costs associated with collections and the costs related to our in-house customer service team.

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

(9) Adjusted EBITDA is defined as net cash flow from operating activities adjusted to exclude the effects of purchases of purchased loan portfolios, proceeds from disposal of purchased loan portfolios, income taxes and overseas taxation paid, working capital adjustments, profit/(loss) on disposal of purchased loan portfolios, discontinued operations, loss/(gain) on fair value derivatives, amortization of acquisition and bank facility fees, foreign exchange (gains)/losses, interest payable and exceptional costs. For supplemental purposes, we have also included a reconciliation of profit/(loss) for the period attributable to equity shareholders to Adjusted EBITDA. In this regard, Adjusted EBITDA represents profit/(loss) for the period attributable to equity shareholders adjusted to exclude the effects of loss for the period from discontinued operations, interest expense, taxation charge on ordinary activities, profit recognised on acquisition of subsidiary, portfolio amortization, portfolio write-up, depreciation and amortization, foreign exchange (gains)/losses, amortization of acquisition and bank facility fees and exceptional costs. Additionally, for supplemental purposes we have also included a reconciliation of ''Core Collections,'' an IFRS measure, to Adjusted EBITDA. We include this supplemental reconciliation because we consider the conversion of Core Collections to Adjusted EBITDA to be a key driver of our performance and key to understanding our

liquidity. In this regard, Adjusted EBITDA represents Core Collections, which include income from purchased loan portfolios adding back portfolio amortization, excluding the effects of profit/(loss) on portfolio and loan note sales, discontinued operations, other income, operating expenses, depreciation and amortization, foreign exchange (gains)/losses, amortization of acquisition and bank facility fees and exceptional costs. See ''Presentation of Financial and Other Information.'' The following tables set forth reconciliations of each of net cash flow from operating activities, profit/(loss) for the period attributable to equity shareholders and Core Collections to Adjusted EBITDA for the periods indicated.

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	**2010**	**2011**	**2011**	**2012**	**2012**
			(£ thousands)			
Net cash flow from operating activities[a]	6,139	(15,544)	(74,701)	(39,086)	(5,346)	(40,961)
Purchases of purchased loan portfolios	5,768	29,613	109,744	65,842	45,695	89,597
Proceeds from disposal of purchased portfolios	—	(1,965)	(1,795)	(268)	(694)	(2,221)
Income taxes and overseas taxation paid	—	—	—	—	3,173	3,173
Working capital adjustments[b]	(273)	(31)	3,518	4,680	1,087	(75)
Profit/(loss) on disposal of purchased loan portfolios	—	1,461	(25)	(406)	318	699
Discontinued operations[h]	379	—	—	—	—	—
Loss/(gain) on fair value derivatives	(693)	320	489	502	(556)	(569)
Amortization of acquisition and bank facility fees	58	60	187	110	1,931	2,008
Foreign exchange (gains)/losses[g]	(13)	(114)	29	(684)	579	1,292
Interest payable[c]	95	32	3,997	3,641	3,177	3,533
Exceptional costs[d]	—	—	2,871	2,230	1,842	2,483
Adjusted EBITDA	**11,460**	**13,832**	**44,314**	**36,561**	**51,206**	**58,959**

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	**2010**	**2011**	**2011**	**2012**	**2012**
			(£ thousands)			
Profit/(loss) for the period attributable to equity shareholders	1,307	(2,054)	4,203	3,137	6,643	7,709
Loss for the period from discontinued operations	379	—	—	—	—	—
Interest expense[e]	6,434	7,882	15,132	12,459	15,708	18,381
Taxation charge on ordinary activities	—	45	2,006	1,672	2,565	2,899
Profit recognized on acquisition of subsidiary	(3,188)	—	—	—	—	—
Operating profit	**4,932**	**5,873**	**21,341**	**17,268**	**24,916**	**28,989**
Portfolio amortization[f]	7,836	7,684	20,755	18,100	22,303	24,958
Portfolio write-up	(1,448)	(5)	(816)	(816)	(856)	(856)
Depreciation and amortization	95	244	283	232	641	692
Foreign exchange (gains)/losses[g]	(13)	(24)	(307)	(563)	429	685
Amortization of acquisition and bank facility fees	58	60	187	110	1,931	2,008
Exceptional costs[d]	—	—	2,871	2,230	1,842	2,483
Adjusted EBITDA	**11,460**	**13,832**	**44,314**	**36,561**	**51,206**	**58,959**

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	2010	2011	2011	2012	2012
			(£ thousands)			
Income from purchased loan portfolios	14,225	17,962	47,493	38,949	50,501	59,045
Discontinued operations[h]	437	—	—	—	—	—
Portfolio amortization	7,836	7,684	20,755	18,100	22,303	24,958
Core Collections	**22,498**	**25,646**	**68,248**	**57,049**	**72,804**	**84,003**
Profit/(loss) on portfolio and loan note sales	204	1,632	(25)	(406)	318	699
Discontinued operations[h]	(437)	—	—	—	—	—
Other income	1,055	441	1,602	427	1,597	2,772
Operating expenses	(12,000)	(14,167)	(28,545)	(22,518)	(28,356)	(34,383)
Depreciation and amortization.	95	244	283	232	641	692
Foreign exchange (gains)/losses[g]	(13)	(24)	(307)	(563)	429	685
Amortization of acquisition and bank facility fees	58	60	187	110	1,931	2,008
Exceptional costs[d]	—	—	2,871	2,230	1,842	2,483
Adjusted EBITDA	**11,460**	**13,832**	**44,314**	**36,561**	**51,206**	**58,959**

(a) As re-presented. See discussion of change in presentation of net cash flows from operating activities and net cash flows from investing activities within ''Summary Historical Consolidated Financial Information''.

(b) Working capital adjustments include the net movement on debtors and creditors, excluding the Existing Revolving Credit Facility, the shareholders' loan and related accrued interest and corporation tax debtors and creditors.

(c) Interest payable includes cash interest on loans and therefore does not include shareholders' loan interest which is payment-in-kind interest.

(d) Exceptional costs include items that, by virtue of their nature, are not considered to be representative of the performance of our business. We believe these amounts should be disclosed separately to assist in the understanding of our liquidity and performance. For the year ended December 31, 2011 these costs include legal-related expenses of £1.9 million, restructuring expenses of £0.9 million, and other miscellaneous items. For the ten months ended October 31, 2011 these costs include legal-related expenses of £1.9 million, restructuring expenses of £0.2 million, and other miscellaneous items. For the ten months ended October 31, 2012 these costs include restructuring expenses of £1.8 million and other miscellaneous items.

(e) Interest expense includes shareholder interest expense, interest on bank loans, interest on non-controlling interest loans, and the fair value movement on interest rate swaps.

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

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

(h) Discontinued operations relates to the disposal of our interest in the assets of Strzala Sp. z o.o. during the 15 months ended December 31, 2009.

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

As Adjusted Financial Data

	12 months ended October 31,	12 months ended December 31,
	2012	2012
	(£ thousands, except ratios and percentages)	
Pro forma Net Debt[1]	149,376	179,365
Pro forma interest expense[2]	18,005	18,005
Ratio of Adjusted EBITDA to pro forma interest expense	3.3	3.4
Ratio of pro forma Net Debt to Adjusted EBITDA	2.5	2.9
Pro forma loan to value ratio[3]	36.8%	38.6%

(1) Pro forma Net Debt as at October 31, 2012 and December 31, 2012 is calculated by giving pro forma effect on Net Debt to the Refinancing shown in ''Use of Proceeds'' and ''Capitalization'' as if such Refinancing took place on October 31, 2012 or December 31, 2012, respectively. We currently do not intend to draw under the New Revolving Credit Facility on the Issue Date.

(2) Pro forma interest expense is calculated by giving pro forma effect on interest expense including the commitment fee for the New Revolving Credit Facility and interest on the shareholders' loan to the Refinancing shown in ''Use of Proceeds'' and ''Capitalization'' as if such Refinancing had taken place on November 1, 2011 for the 12 months ended October 31, 2012, or January 1, 2012, for the 12 months ended December 31, 2012. We currently do not intend to draw under the New Revolving Credit Facility on the Issue Date.

(3) Pro forma loan-to-value ratio is calculated by dividing pro forma Net Debt by 84-Month ERC.

RISK FACTORS

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

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

Risks Related to Our Business

Any failure to comply with applicable legislation or regulation of the debt purchase and the broader consumer credit industry could result in the suspension, termination or impairment of our ability to conduct business.

The contingent collections and the broader consumer credit industry in the U.K. and Portugal are regulated under various complex laws and regulations. See "Regulation and Compliance."

Our activities in the U.K. are principally regulated by the OFT, the Information Commissioner's Office ("**ICO**") and the Office of Communications ("**OFCOM**"). Our business is conducted through a number of subsidiaries, each of which must hold at least a Category A (Creditor) Consumer Credit License ("**CCL**") issued by the OFT in order to purchase debt and hold financial interests in debt due under consumer credit agreements. We are also required to hold a Category F CCL for debt collection, as we collect debts on behalf of other companies within the Group as well as in our asset management type arrangements. The Consumer Credit Act 1974, as amended to implement the European Consumer Credit Directive of 2008, among others (the "**CCA**"), requires the OFT to prepare and publish guidance on how it determines "fitness" to obtain and maintain a CCL. Failure to comply with any guidance issued by the OFT is likely to have serious consequences, for example:

- the OFT may refuse to issue or renew a CCL or may commence a process to suspend or revoke a CCL. Any such refusal, suspension or revocation process would be publicly known and would involve severe reputational damage, with vendors of debt portfolios likely to remove their business from a debt purchaser that is the subject of such refusal or revocation process. If we are refused a CCL or a CCL is revoked, our business would be severely constrained and we would not be able to continue to run our business as it is now currently being run; and
- the OFT may take steps to publicly issue "requirements" on a CCL. These would constitute a public censure and would require a debt purchaser like us to make changes to our business practices and not repeat similar conduct in the future. If we become subject to such requirements, originators that currently do business with us may cease to do so, and our ability to purchase debt, along with our reputation, and consequently our ability to win future business may be adversely affected. We might also have to introduce changes to our business practices in response to "requirements" issued to some of our competitors.

The OFT regards debt collection as a "high risk" industry and therefore dedicates special resources to more intensive monitoring of businesses in this sector. The OFT has issued specific debt collection guidance (the "**DCG**") for the debt collection sector, which sets forth detailed standards that businesses must satisfy. The DCG is also applicable to creditors where they collect debt owed to themselves under consumer credit agreements. There is also other guidance that is relevant to debt collection (and other consumer credit) businesses. The OFT has previously taken high profile action against, and has imposed requirements on, a number of well-known banks, finance houses and debt collection companies.

We are also subject to numerous detailed legislative requirements, principally contained in the Consumer Credit Act 1974 (and secondary legislation thereunder) and the Unfair Terms in Consumer Contracts Regulations 1999. These legal requirements obligate creditors to, among other things:

- provide customers with heavily prescribed credit agreement documentation at the outset;
- enable customers to obtain copies of credit agreement documentation;
- provide customers with prescribed forms of notices following the execution of a contract that clearly highlights certain material terms of the agreement;
- ensure that an ''unfair relationship'' does not arise between themselves and the customer; 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 to be deemed unenforceable (meaning that the outstanding debt and interest cannot be collected through litigation action). An agreement could be deemed unenforceable when we, as the purchaser of the debt, fail or when the originator has failed to comply with the relevant requirements. The consequences of unenforceability vary depending on the severity of the breach, and may include having to apply for a court order before initiating litigation on an account or a court's refusal to enforce an agreement. Additionally, we may be unable to effectively ascertain whether the debt originator has been in compliance with underlying accounts from their outset. See ''—We may purchase portfolios containing accounts that are not eligible to be collected or we could be the subject of fraud when purchasing debt portfolios.'' In addition, our business is subject to an obligation to act fairly, as set forth in the Consumer Protection from Unfair Trading Regulations 2008.

The Financial Ombudsman Service (the ''**FOS**'') acts as an independent adjudicator of the consumer complaints made to them. 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 attract a fee, which is paid by the business subject to the complaint, whether or not it successfully defends such case. A decision by the FOS is binding on the business, but not on the consumer.

We assign our accounts to third party DCAs in both the U.K. and Portugal. To the extent these third parties violate laws or other regulatory requirements in their collection efforts, they could also negatively impact our business by harming our reputation or, in some cases, resulting in penalties being directly imposed on us, as the OFT generally expects businesses to carefully select third parties with whom they work and take responsibility for ensuring their compliance.

As a debt purchaser, we must comply with the requirements established by the Data Protection Act 1998 in relation to processing the personal data of our customers. The ICO is an independent governmental authority responsible for maintaining, upholding and promoting the best business practices and legislative requirements for processing personal data and safeguarding the information rights of individuals and their rights to access their personal data. Failure to maintain the appropriate data protection registrations with the ICO could negatively impact our ability to otherwise comply with the requirements of the Data Protection Act 1998 and could result in the revocation of our CCL. The applicable guidance issued from time to time by the ICO could also result in enforcement notices, monetary fines and criminal offenses being brought against us under the Data Protection Act 1998.

Furthermore, we receive third-party data from sources governed by the Steering Committee on Reciprocity (''**SCOR**''), such as mainstream credit bureaus, and from private sources such as the Pilot Collections Bureau (the ''**PCB**''). The PCB, one of the U.K.'s first debt collection focused credit bureaus, was launched in 2011 in conjunction with Experian, and we began receiving matched data in the first half of 2012. We have proprietary rights to the PCB matched data, while Experian is responsible for housing the underlying data, matching the records and for compliance with data protection regulations. If Experian or one of the contributors were to violate data protection laws or other regulatory requirements, our business may be harmed or, in some cases, result in penalties might be directly imposed on us.

In addition, although we are neither authorized by nor regulated by the Financial Services Authority (''**FSA**''), by virtue of doing business with banks and other FSA regulated companies in the U.K., we are contractually obligated to comply with certain FSA requirements, as well as the U.K. Lending Standards Board's Lending Code, including audits by debt originators. In the 12 months ended October 31, 2012, we were subject to six audits to determine our compliance under such contractual obligations. Various

FSA rule books issued by the FSA that is relevant to our U.K. operations includes the FSA rule book and Treating Customers Fairly (''**TCF**'').

Compliance with this extensive regulatory framework is expensive and labor-intensive. Failure to comply with applicable laws, regulations and rules, or our failure to comply with a contractual compliance obligation, could result in investigations and enforcement actions, licenses that we need to do business not being renewed 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 license, or other actions by us that may damage the reputation of the vendor, would entitle the vendor to terminate any forward flow agreement that we have with such vendor. In addition, such vendor could be entitled to repurchase portfolios we previously purchased from it. Damage to our reputation, whether because of a failure to comply with applicable laws, regulations or rules, or revocation of a license or any other regulatory action or our failure to comply with a contractual compliance obligation, could deter vendors from choosing us as their debt purchase provider. Any of these developments could have a material and adverse effect on our ability to conduct business and on our financial condition, our financial returns or our results of operations.

Changes to the regulatory environment in the U.K. or Portugal or an increasing volume of legislation may materially and adversely affect our industry and impede our business.

Changes in laws and regulations in the jurisdictions in which we operate, or the manner in which they are interpreted or applied, could limit our activities in the future or could significantly increase the cost of regulatory compliance. These negative effects could result from changes in collection laws and guidance, laws related to credit reporting, consumer bankruptcy laws, laws related to the management of consumer debt, accounting standards, taxation requirements, employment laws, communications laws, data privacy and protection laws, anti-bribery and corruption laws and anti-money laundering laws, or changes to court application fees, among others.

The volume of legislation that is applicable to consumer credit in the U.K. has increased over the last few years. In addition to the CCA, the Unfair Terms in Consumer Contract Regulations 1999 and the Consumer Protection from Unfair Trading Regulations 2008 specifically mentioned above, there are a significant number of other legal requirements that apply to us. The legal requirements to which we are already subject, or with which we voluntarily comply, may change, and we may become subject to new legislation. There may in the future be new laws related to collection, the enforceability of credit related agreements, credit reporting, consumer bankruptcy, the management of consumer debt, accounting standards, taxation requirements, employment and communications and data privacy and protection, and such laws could subject us to additional liabilities and result in an adverse effect on our results of operations and financial condition. Furthermore, we must comply with court rules and regulations in the U.K. and Portugal, such as application fees imposed during proceedings to litigate an account. Should any such application fees or other fees be increased, our business could be materially adversely affected.

For example, in 2009, the U.K. Government commenced a consultation 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 in Scotland is currently five years. The statute of limitations dictates the amount of time that a business has to commence legal proceedings to enforce its debt. While the proposals regarding the current statute of limitations period in England, Wales, and Northern Ireland were not pursued, such a reduction of the statute of limitations period would likely have severely affected the ability of debt collectors to trace debtors, successfully employ debt collection strategies and have the right to enforce debt. This change would therefore have had a serious adverse impact on our current business model. If the statute of limitations 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 impairment charges as a result of loan portfolio carrying value reductions. We could also have seen a reduction in the market size for debt purchase or higher marginal costs in the 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.

The regulatory framework for consumer credit in the U.K. will change as a result of the Financial Services Act (the ''**FS Act**''), which was published as a Bill in January 2012 and became an Act of Parliament in December 2012. The FS Act includes changes affecting the consumer credit industry, such as the abolition of the OFT as the main regulator of this industry. The majority of these changes are expected to be implemented with effect from April 2014. Pursuant to the FS Act, Her Majesty's Treasury (the

‘‘**U.K. Treasury**’’) is expected to transfer the functions of the OFT, such as the responsibility for consumer credit regulation, including the debt collection and debt purchase sector, to the Financial Conduct Authority (the ‘‘**FCA**’’). There will be consequential changes to the legislation that affect our business. The FCA will be primarily responsible for the regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets. The FCA will be created by amendments to the Financial Services and Markets Act 2000 (the ‘‘**FSMA**’’) and will perform some of the functions currently performed by the FSA (which is the current U.K. regulatory body for the supervision of financial services other than consumer credit activities). The FS Act (a) enables the U.K. Treasury to make an order to the effect that the provision of consumer credit would fall under the scope of FSMA, and would therefore be regulated by the FCA and (b) confers a power on the U.K. Treasury to make further provision by order about the regulation of consumer credit. No drafts of such secondary legislation have yet been published, and it is not possible to accurately predict the effect such legislative change may have on our business. It is possible that the requirements applicable to our industry will increase and that the FCA will have substantially greater powers than the OFT has (for example, to issue greater fines, to undertake regular onsite visits, to ban activities or products being sold and to issue public notices of investigatory action). In addition, it is likely that the compliance framework that will be needed to satisfy the FCA requirements will demand additional investment and resources in our compliance governance framework. There is a risk that we could become subject to additional or new regulatory obligations resulting from this change (including minimum levels of regulatory capital, FCA approval of authorized persons, forbearance policies and fraud prevention), or that those requirements to which we are currently contractually subject could become more stringent, which could have an adverse effect on our operations.

A further risk relating to the proposed move to the FCA as the regulator of this industry is the current uncertainty relating to how companies holding a CCL granted by the OFT, such as certain of our subsidiaries, will become regulated by the FCA. It is likely that any company currently holding a CCL will be required to be authorized by the FCA. However, it is expected that transitional, or ‘‘grandfathering,’’ arrangements will be put in place in order to ease the transition from the one form of licensing to the other. At this stage it is not known how such ‘‘grandfathering’’ processes will work, including whether all CCL holders will automatically be ‘‘grandfathered’’ over to the FCA and what the process will be subsequently to obtain permanent FCA authorization. There is therefore the risk that we may be excluded from or fail to meet any such transitional or permanent authorization requirements, resulting in the effective loss of some or all of our regulatory permissions. Any such loss could have a significant impact on our ability to continue to conduct our business. Furthermore, despite the ‘‘grandfathering process,’’ the application process for authorization or licensing under the FCA may be more onerous than the current regime under the OFT, and could include additional requirements such as lodging detailed business plans. Any such changes to the application process could increase costs or cause delays which could in turn have an adverse effect on our operations.

The legislative and regulatory environment is also challenging for originators of consumer credit. Regulators are increasingly requiring lenders and debt collectors to exercise ‘‘forbearance’’ in relation to consumer debt, accept low repayment offers and refrain from placing customers under undue pressure in relation to the repayment of debt. To the extent that new laws or regulations reduce the profitability of issuing credit and result in lower consumer credit issuance volume, we could see a reduced supply of debt portfolios for sale, which could, among other things, lead to increased prices and lower returns on our investments.

Our databases contain personal data of our customers, and our ability to obtain, retain and otherwise manage such data is governed by data protection and privacy requirements and regulatory rules and guidance issued by, among others, the U.K. Information Commissioner and influenced by SCOR. Depending on their nature and scope, changes to such laws, practices, regulations and guidance could require additional investments and resources in our compliance governance framework, or could alter the way in which we obtain, collect and use data. 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. Any regulatory changes that impair our ability to continue to use our consumer data in such systems in the way in which we currently use them could have a material adverse effect on our operations.

On January 25, 2012, the European Commission published its draft EU Data Protection Regulation (2012/011 CD). The current form of the draft regulation proposes substantial changes to the EU data protection regime, involving replacement of the current U.K. and Portuguese data protection laws by a directly effective EU regulation. If this draft regulation became law in its currently proposed form, it would impose a substantially higher compliance burden on us, including expanding the requirement for informed opt-in consent by customers to processing of personal data and granting customers a ''right to be forgotten,'' restrictions on the use of personal data for profiling purposes, disclosure requirements of data sources to customers and increasing the maximum level of fine for compliance failures from its current level in the U.K. of £500,000 to 2% of total turnover, among other requirements. The proposed EU regulation is at an early stage of the legislative process and may be modified prior to its adoption.

Our purchase of defaulted loan portfolios from Portuguese credit institutions as well as our engagement of local Portuguese agencies falls under the general rules of the Portuguese Civil Code. We are required to comply with the local law on personal data (Law 67/98), as well as to obtain approval by the local data protection authority on the purchase and processing of personal data. The statute of limitations period in Portugal for debt collection is currently 20 years pre-legal action, and as a result our activities in Portugal are more focused on a legal collection route compared to our U.K. operations. Any reduction of the statute of limitations period in Portugal or changes in other laws or regulations affecting our ability to initiate enforcement proceedings would likely severely impact debt collection strategies and our ability to enforce debt. Any increase in regulatory requirements in Portugal, or changes to data protection, court rules or regulations including regarding enforcement proceedings, or other laws in Portugal, could materially increase our costs of doing business in Portugal.

Recently, some Portuguese companies have promoted and paid for debt relief initiatives under which professional advisors are engaged to assist debtors in negotiating repayment plans that include low repayment offers and the overall consolidation of their debt. These initiatives have been broadly publicized in major newspapers and have resulted in increased awareness about the possible advantages of consolidating debt. Such increased awareness might change the return model under which we base our assumptions and result in lower returns on our investments.

The Government and the Bank of Portugal have recently passed laws and regulations that tighten the criteria for lending. To the extent that new laws or regulations result in lower consumer credit issuance volume, we could see a reduced supply of debt portfolios for sale, which could, among other things, lead to increased prices and lower returns on our investments.

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

Our performance may be affected by further deterioration of economic conditions in the U.K. and Portugal, which could have various impacts on our business. In 2012, the U.K. experienced its first double-dip recession since 1975. High unemployment has persisted since the commencement of the financial crisis in 2009, while home prices in many regions remain well below their highs prior to the previous recession. In 2011, Portugal agreed to a rescue package from the EU, has undergone fiscal austerity and is still in a recession. Unemployment is expected to remain high, while house prices are likely to continue to fall. The debt purchase market in Portugal is still in its early stages and potential supply is likely to be limited in the near term, as weak consumer confidence and decreased spending on durable consumer goods have reduced the demand for credit. The financial crisis reduced originators' propensity to sell defaulted consumer debt at the prices prevailing in the market. As a result, a high proportion of defaulted consumer debt was serviced in-house or by DCAs.

General market volatility has resulted from uncertainty about sovereign debt and fear that the governments of countries such as Greece, Portugal, Spain, Ireland and Italy may default on their financial obligations. In addition, the departure or potential risk of departure from the euro by one or more eurozone countries, including Portugal, could have negative effects on our business and on the value of our purchased loan portfolios.

Furthermore, continued hostilities in the Middle East and recent tensions in North Africa could adversely affect the economies of the European Union and other countries.

Furthermore, certain government actions, including various austerity measures taken in response to the ongoing financial crisis in the U.K. and Europe in general have included cuts in public benefits and public sector employment. Each of these factors could negatively affect our customers by reducing disposable income levels or otherwise impairing their ability to service debt obligations. Moreover, rising interest rates could impair the financial viability of customers who have variable interest rate home mortgages or other significant debt that bears floating rate interest. If our customers experience a reduced ability to pay their debts, DCAs may negotiate for higher commissions to address increased

Collection Activity Costs, and we could face increased, higher payment default rates and lower average payments, any of which could reduce our cash generation, return on capital and our ERC. Even if we are able to develop payment plans for certain of these customers, such measures may prove unsuccessful. Further, we could reach a point of saturation in the number of accounts that we have matched to each customer such that a customer may lack the financial means to pay on all the accounts that we own. Even if our efforts were to prove successful in avoiding some defaults, however, total collections may still decline or the timing of receipt of payments lengthen, any of which would impair our financial performance. As a result, the continuation of difficult economic conditions or the deterioration of the general economic environment may materially and adversely affect our financial condition, financial returns and results of operations.

In addition, the recent volatility affecting the banking system and financial markets and the possibility that financial institutions may consolidate, go out of business or be taken over by the government have resulted in a tightening in credit markets. In particular, we have experienced a significant shift in the collections environment as a result of the collapse of the sub-prime lending market in 2008, which resulted in the tightening of lending standards. There could be a number of follow-on effects from the credit crisis or the government's response to the credit crisis on our business, including a reduction in estimated collections, as our customers are unable to obtain credit to consolidate their debts and refinance their obligations with us. Further, the insolvency of lending institutions could result in our own inability to obtain credit or increased government ownership of these institutions, particularly in the U.K. and Portugal, could result in a decrease in the supply of debt portfolios in the market. These and other economic factors could have a material adverse effect on our financial condition, financial returns and results of operations.

The value of our Backbook may deteriorate, or we may not be able to collect sufficient amounts on our debt portfolios to fund our operations.

We purchase portfolios of defaulted debt, which often consist of a substantial number of accounts without contact details and for which the originator has made numerous attempts to collect. Such debt may subsequently be deemed uncollectible and written off. Our purchased portfolios include both paying accounts, which consist of accounts that have shown at least one payment over the last three months or at least two payments over the last six months and non-paying accounts, which may be higher risk and have less predictable cash flows than paying accounts. Although we estimate that the recoveries on our debt portfolios will be in excess of the amount paid for them, amounts recovered may be less than expected and may even be less than the total amount paid for such portfolios. Our purchased loan portfolios comprised 87.4% of our total assets as at October 31, 2012, and any condition or event that causes these to lose value, such as a decrease in expected collections, will have a material adverse effect on our financial condition, financial returns and results of operations.

Because the length of time involved in collecting on debt portfolios may be extensive, and the factors affecting debt collection rates may be volatile, we may not be able to identify economic trends or make changes in our purchasing strategies in a timely manner. This could result in a loss of value in a portfolio after purchase and a continuing deterioration in value over time as actual collections can deviate from the pricing model's collection estimates significantly as the accounts age.

Our analytical models may not identify changes that originators make in the quality of the debt portfolios that they sell. If we overpay for debt portfolios or the value of our purchased loan portfolios, ERC, EIR and our cash flows from operations are less than anticipated, we may have difficulty servicing our indebtedness and may be unable to purchase new debt portfolios. As a result, our future growth, financial condition, financial returns and results of operations would be materially and adversely affected.

The statistical models and analytical tools we use in our business may prove to be inaccurate and we may not achieve the recoveries anticipated.

We use internally developed models and other data analytics tools extensively in our business operations. For example, we use a portfolio valuation model to project the remaining cash flow generation from our purchased debt. At the time of purchase, however, we may have imperfect information about the precise age of the receivables, the ability of the customer to pay and the cost required to service and collect on such debts. Lack of reliable information can lead to mispricing of purchased debt portfolios, which may have a material and adverse impact on the financial returns from such portfolios. In particular, a portion of our ERC relies on our ability to convert non-paying accounts into paying accounts and our ability to convert such accounts may vary in the future. Furthermore, we may purchase types of debt portfolios with which we have limited experience, which may further impair our ability to price and collect on such portfolios. There can be no assurance that we will be able to achieve the recoveries forecasted by our portfolio valuation model that we use to calculate ERC and to value our purchased loan portfolios or that our models will appropriately identify or assess all material factors and yield correct or accurate forecasts as our historical collection experience may not reflect current or future realities.

We use a value-based segmentation methodology to segment individual accounts into value segments according to their predicted collectability and then place individual accounts with DCAs best suited to collect that type of debt. During the segmentation process, we use internally developed models that forecast future collections based on our data assets. There can be no assurance that our value-based segmentation methodology will provide us with the intended level of collections performance and pricing accuracy.

Our statistical models and analytical tools assess information provided to us by third parties, such as credit bureaus and other mainstream or public sources, or generated by software products. For example, for our portfolios in Portugal, local collectors produce quarterly forecasts at an account level that are incorporated into our ERC. We also rely on the data obtained from the PCB, one of the U.K.'s first debt collection focused credit bureaus, which was launched in 2011 and which is maintained and operated by Experian, to improve customer matching and tracing and our overall customer account placement strategy. The PCB is dependent on the participation of third parties such as originators and DCAs and there can be no assurance that such third parties will continue to participate and contribute data to the PCB. Further, we do not control the raw data from the PCB but receive matched information from Experian and so are reliant on them to process the information correctly. We have no control over the accuracy of such information received from third parties. If such information is not accurate we could incorrectly price debt, value our purchased loan portfolios inaccurately, mismatch accounts with DCAs and experience lower liquidation rates or larger operating expenses. Overpaying for portfolios and lower returns could impair our ability to purchase more portfolios or cause us to breach the terms and conditions that govern our indebtedness. Even if we are provided with accurate information that is then effectively assessed by our statistical models and analytical tools, we could reach a point of saturation where a customer lacks the financial ability to pay on all the accounts that we have matched. In addition, we forecast ERC, EIR and certain other key performance indicators over 84- and 120-month periods and the risk of error in our forecasts, such as greater than expected payment defaults by our customers, is increased by the significant length of these time periods. If we are not able to achieve these levels of forecasted collections, valuation impairments may be recognized and our amortization, revenue and returns on portfolio purchases may be reduced. Any of these events may have a material and adverse effect on our financial condition, financial returns and results of operations.

We operate in markets that are competitive. We may be unable to compete with businesses that offer higher prices than us for the purchase of debt portfolios, or our competitors may develop competitive strengths that we cannot match.

We face competition from new and existing purchasers of debt portfolios. We compete on the basis of bid prices, the terms we offer, reputation, industry experience and performance. Our current competitors, such as Cabot Credit Management Group Limited and Lowell Group Limited and any new competitors may have substantially greater financial, technical, personnel or other resources. Large and established foreign debt purchasers, such as Hoist GmbH from Germany and Portfolio Recovery Associates, Inc. from the United States, among others, have recently become active in the U.K. debt purchase market and compete for the acquisition of debt portfolios in the U.K. In the future, we may not have the resources or ability to compete successfully.

We predominantly focus on the purchase of portfolios that had a majority of accounts which have made a payment in the prior four months. Some of our competitors, however, have more significant debt collection businesses, in addition to operations involving the purchase of debt portfolios. There can be no assurance that we will be able to offer competitive prices for debt portfolios or that we will be able to maintain the advantages in tracing technology, customer profile development, or low collection activity costs that we believe that we currently possess. Further, there can be no assurance that the industry will not shift away from a debt purchase model of collecting distressed debt. If we are unable to develop and expand our business or adapt to changing market needs as well as our current or future competitors are able to do, or if our competitors are able to operate at a lower cost of capital or 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.

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

The availability of debt portfolios at prices that generate profits 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 is 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 originators, which also in turn may affect the availability of credit to consumers identified above;
- sales of debt portfolios by originators, which could be jeopardized by a change in accounting policies or practices, the consolidation of credit card issuers, increased reliance on DCAs 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 our industry, whether due to the failure of one or more of our competitors to meet their legal or regulatory obligations or otherwise;
- increased government regulation of the circumstances in which originators, especially FSA-regulated entities, have a right to collect on debt; and
- the macro-economic policies of the countries in which we operate.

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

In 2009, the U.K. market for defaulted consumer debt sales decreased significantly to approximately £3.9 billion from £8.7 billion in 2008. The decline in the market was primarily due to restrictions on the availability of funding for debt purchases and the general contraction of credit during the ensuing recession, lower collections of payments from debt portfolios and lower volumes of debt portfolios being offered by vendors as a result of decreased demand and lower spot prices. In addition, vendors altered their debt management practices, in response to lower prices, by warehousing their fresh and semi-performing portfolios in anticipation of better prices and directing the collection of such portfolios to DCAs, while offering older, often secondary and tertiary debt, to the debt purchase market. In the last three years, the U.K. market has not returned to pre-2009 debt purchasing levels and there can be no assurance that the market will recover. The Portuguese debt purchase market is less mature as compared to the U.K. market and while we have owned portfolios in Portugal since 2009, there can be no assurance that the market will grow or that our activities in Portugal will be successful.

If we are unable to purchase portfolios from originators at appropriate prices, or if one or more originators stop or decrease their sales of portfolios due to one of the factors listed above or any other factors, we could lose a potential source of income and our business may be materially and adversely affected. If we do not replace the debt portfolios that we service with additional portfolios, our business could be materially and adversely affected.

We are highly dependent on our data analytics systems, the functioning of our IT systems and proprietary customer profiles, and if we were to lose access to such data or if competitors develop comparable tools, our business could be materially and adversely affected.

Our core models and customer databases provide information that is critical to our business. We rely on publicly available data provided to us by multiple credit reference agencies, our servicing partners and other sources in order to operate our business. If any of our third party sources were to stop providing us with data for any reason, for example, due to a change in governmental regulation, or if they were to considerably raise the price of their services, our business could be materially and adversely affected. Also, if any of the proprietary information or data that we use became public, for example, due to a change in government regulations, or if the U.K. were to introduce measures that have the effect of facilitating the tracing of consumers, we could 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 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 may 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 could be materially and adversely affected.

We have established the PCB, one of the U.K.'s first debt collection focused credit bureaus, which was launched in 2011 and which is maintained and operated by Experian, to improve customer matching and tracing and our overall customer account placement strategy. If our competitors, credit originators or other third parties create similar data sharing platforms, we may lose some of our data advantage. These data analytics tools developed by third parties could improve the quality of data available to originators, enabling better tracing of customers and improving collections, thus diminishing their incentive to sell debt to debt purchasers and reducing the availability of debt portfolios for purchase. Further, Experian could sell a product similar to the PCB to other market participants.

In addition, we outsource our core IT applications and infrastructure, including hosting, network services, back-up, disaster recovery, storage and data recovery to a third party service provider, and use a cloud computing based model in our business operations. We cannot assure that we will be able to find and retain alternative providers if our current or future providers become financially unstable in the future or are no longer able to service our needs. In addition, to the extent any of our systems, technologies or programs do not function properly, including in particular our business analytics software, and we cannot find and retain suitable IT and software providers 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. Furthermore, the loss of any data, whether as a result of data corruption, hacking, natural disaster or for any other reason, could have a material adverse effect on our business and results of operations.

Further, as some of the systems, technologies and programs that we use have been developed internally, we cannot be certain 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 no longer worked for us, our ability to maintain, repair or modify our data analytics systems and platforms may be limited.

We rely on key relationships to conduct our business.

We rely on key relationships with debt originators and DCAs, among others, to conduct our business. A significant decrease in the volume of purchases available from any of our principal vendors on terms acceptable to us would force us to seek alternative sources of debt to purchase. We cannot be certain that any of our strategic debt originators will continue to sell debt to us on desirable terms or in acceptable quantities or that we could replace such purchases with purchases from other vendors. An originator's decision to sell debt to us is based on various factors, including the price and terms offered and the quality of our reputation and compliance history. 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 or the debt could be of lower quality or higher cost, any of which could materially and adversely affect our business.

We outsource debt collections to over 60 DCAs and have strategic relationships with a core panel of ten DCAs, who achieved approximately 69% of our Core Collections in the ten months ended October 31, 2012. The loss of a key DCA relationship, or the financial failure of one of our core DCA partners, could reduce or jeopardize our Core Collections and there is no guarantee that we could replace a strategic DCA partner in a timely manner or on favorable terms. Furthermore, if one of our DCAs were to experience financial difficulties or enter into administration or become insolvent, this could cause disruptions and delays to our cash flows or prevent us from recovering the full amount paid to the DCA partner on our account.

Further, we developed the PCB, a closed user group platform, in conjunction with Experian. We have proprietary rights to the PCB matched data, while Experian is responsible for housing the underlying data, and running the platform that matches the data contributed. In the event that Experian terminates or does not renew the services contract in the future, upon termination there can be no assurance that we will be able to find a suitable operator for the PCB on desirable terms or at all.

In the event that any of our significant debt originators, DCAs, Experian or other credit reference agencies terminate or modify their relationship with us, our financial condition, financial returns and results of operations could be materially adversely affected.

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

If there is a negative change in the financial circumstances of our customers after we have acquired their accounts, this could lead to reduced collections or increased servicing costs on the part of our DCA partners, who may negotiate higher commission rates for collecting on accounts and as a result increase our commission costs and reduce portfolio returns. These reduced collections would negatively impact our ERC, while higher costs and lower portfolio returns would reduce our results of our operations and cash flow generation. Our modeling for future collections may be rendered less reliable if we are unable to accurately predict the quantity and identity of customers who may 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 not have the resources to meet our additional financial and other reporting requirements or implement effective internal control and portfolio pricing standards, which could materially and adversely affect our business.

We have historically operated as a private company and will be required after the issuance of the Notes to provide annual and quarterly reports within specified time frames in accordance with the Indenture. Further, we have experienced significant growth in our business since 2008. Our 84-Month ERC has grown to £406.2 million as at October 31, 2012, from £91.2 million as at December 31, 2009, due to our continued investment in debt portfolios. Any future growth of our business, as well as the additional reporting obligations imposed under the Notes, may strain our resources in our portfolio pricing, finance and accounting departments. Any future growth of our business may also require the expansion of our procedures for monitoring internal accounting functions and continued compliance with our reporting obligations. Any resulting growth of our employee base may also increase our need for internal audit and monitoring processes that are more extensive and broader in scope than those that we have historically required.

Meeting these financial reporting obligations and implementing effective internal controls as well as the procurement of qualified staff and additional resources (both in finance and accounting and in portfolio pricing), may result in the diversion of our senior management's time and attention from our day-to-day operations. If similar or more severe problems arise in the future, or if we do not adequately manage the growing demands on our internal accounting, finance or portfolio pricing systems or for additional resources, we may be unable to comply with our financial reporting obligations or implement effective internal controls, which could result in a default under the Indenture, a restatement of our financial statements or, in the case of portfolio pricing, result in the mispricing of portfolios or the missing of potential portfolio purchasing opportunities. The occurrence of any such event could materially and adversely affect our business or results of operations.

Our operations could suffer from technology interruptions, increased technology costs, an inability to successfully anticipate, manage or adopt technological advances within our industry, or security breaches of the systems we use to protect personal data.

Our success depends in large part on our ability to record and process significant amounts of data quickly and accurately to access, maintain and expand the databases we use for pricing and collection activities. We also use these systems to identify large numbers of customers, store personal data of our customers, analyze and segment accounts, place them to suitable partner DCAs and monitor the results of collection efforts. In addition, we outsource our core IT infrastructure to a third party service provider and use a cloud computing based model in our business operations. We rely on this third party service provider to effectively manage their operations, comply with applicable information security policies and to meet our IT needs. Furthermore, our operations are dependent on the systems of the banking sector as a whole. These and other systems could be interrupted by terrorist acts, natural disasters, power losses, computer viruses or similar events. Any failure of our systems or the systems of the banking and other sectors that are integral to our business, 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 computer equipment and software systems, or any disruption to or loss of data could disrupt our operations and materially and adversely affect our financial condition, financial returns or our results of operations.

Additionally, computer technology is evolving rapidly and is characterized by short product lifecycles. 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 assure you that adequate capital resources will be available to us when we need to make such investments.

Our databases contain personal data of our customers, including (i) personal information of the customer, such as name and account number; (ii) location information relating to the address and telephone numbers for the customer and (iii) account specific information such as the date of loan origination, issuance of the card or debt default, write-off date and write-off balance for the account. These databases are vulnerable to damage, including telecommunications and network failures, natural disasters and human acts both by individuals external to our business, as well as our employees, including fraud, identity theft and other misuse of personal data. Despite the security measures we have implemented, 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. Our data security procedures may not effectively counter evolving security risks, address the security and privacy concerns of existing or potential vendors or be compliant with laws and regulations in all respects.

We are dependent upon third party DCAs and law firms to service the underlying accounts in our debt portfolios and their failure to perform or comply with applicable regulation could adversely affect our profitability.

We outsource the underlying accounts in our debt portfolios to third party DCAs and law firms for collection. Any failure by these third parties to adequately perform collection services for us or to remit such collections to us for any reason (including insolvency) could materially reduce our cash flow, income and profitability or affect our reputation. We also rely on local servicers to direct collection activities, to ensure compliance and to prepare forecasted collection estimates in connection with our portfolios in Portugal. 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, employee training or management experience that we have. This may negatively impact their ability to comply with applicable laws or other regulatory requirements. We have in the past terminated relationships as a result of agencies not adhering to the terms of an agreement or where we believed a potential regulatory risk existed. Further, these third parties could commit fraud with respect to the customer accounts that we place with them or fail to provide us with accurate data on the accounts they are servicing. To the extent these third parties violate laws or other regulatory requirements in their collection efforts, it could negatively impact our business and reputation or result in penalties being directly imposed on us, as in the U.K. in particular, the OFT generally expects businesses to carefully select such third parties and to take responsibility for any compliance violations. Furthermore, we may not be aware of the occurrence of any such violations. See ''—Any failure to comply with applicable legislation or regulation of the debt purchase and the broader consumer credit industry could result in the suspension, termination or impairment of our ability to conduct business.''

Our purchasing patterns and the seasonality of our business may lead to volatility in our cash flow.

Our business depends on the ability to collect on our debt portfolios. Conversely, collection debt portfolios tend to be lower in months where there are fewer working days; for example, during months with public holidays. Furthermore, our debt portfolio purchases are likely to be uneven during the year due to fluctuating supply and demand within the market. Operating expenses are higher following months when more debt portfolios are purchased. The combination of seasonal collections and costs and uneven purchases may result in low cash flow at a time when attractive debt portfolios become available. While in the past we have been able to obtain interim funding from our Principal Shareholders, we may not be able to do so in the future. A lack of cash flow could prevent us from purchasing otherwise desirable debt portfolios or prevent us from meeting our obligations under any forward flow agreements we may enter, either of which could materially and adversely affect our business.

Negative attention and news regarding the debt collection industry and individual debt collectors may have a negative impact on a debtor's willingness to pay the debt owed to us.

The following factors, among others, may cause consumers to be more reluctant to pay their debts in full or at all, or more willing to pursue legal actions against us:

- print and television media, from time to time, may publish stories about the debt collection or debt purchasing industry that may cite specific examples of real or perceived abusive collection practices. These stories are also published on websites, which can lead to the rapid dissemination of the story and increase the exposure to negative publicity about us or our industry;
- the internet has websites where consumers list their concerns about the activities of debt collectors and seek guidance from other website posters on how to handle the situation. These websites are increasingly providing consumers with legal forms and other strategies to protest collection efforts and to try to avoid their obligations. To the extent that these forms and strategies are based upon erroneous legal information, the cost of collections may increase; and
- consumer blog sites and claims management companies are becoming more common and add to the negative attention given to our industry. Certain of these organizations may also enable consumers to negotiate a larger discount on their payments than we would otherwise agree to.

Any such negative publicity could jeopardize our existing vendor relationships or our ability to establish new relationships with other vendors. In addition, negative publicity could cause debtors to be more reluctant to pay their debts or to pursue legal action against us regardless of whether those actions are warranted. These actions could impact the ability to collect on the debt portfolios that we purchase and materially and adversely affect our financial condition, financial returns and results of operations.

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

The loss of the services of one or more of our key management team members, including our Chief Executive Officer, Chief Financial Officer, Executive Director, Chief Investment Officer, Commercial Director, Director of Systems and Compliance or any of our other key employees could disrupt our operations. Some of the employment agreements that we have in place contain non-compete provisions that survive termination of employment. However, these agreements do not and will not assure the continued services of our senior management team members and key employees and we cannot ensure that we will be able to enforce such non-compete provisions. Our senior management team members maintain strong relationships with a number of the largest U.K. and European debt originators. Further, some of our key employees possess important knowledge of our data analytics and technology systems. Our success depends on the continued service and performance of our senior management team members and other key employees, and we cannot guarantee that we will be able to retain those individuals. Further, there can be no assurance that we will be able to continue attracting similarly qualified and skilled individuals to join our staff and senior management. The loss of the services of our senior management team members or other key employees could seriously impair our ability to continue to purchase or collect on debt portfolios and to manage and expand our business.

We may be unable to obtain account documents for some of the accounts that we purchase.

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 customer. Where we are unable to produce account documents in response to a customer'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 or we could be the subject of fraud when purchasing debt portfolios.

In the normal course of our debt purchases and management of any forward flow agreements 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 agreements and we may seek to return these accounts to the vendor for payment or replacement. However, we cannot guarantee that such vendor will be able to meet its obligations to us or that we will identify non-conforming accounts soon enough, or at all, to qualify for recourse to the vendor. Each contract specifies which accounts are eligible and which are not. Examples of ineligible accounts could include those that have a foreign address, have been subject to fraud, have an incorrect balance or those where the customer is serving in prison. Accounts that would be eligible for recourse if discovered in a timely fashion, but that we are unable to return to vendors, are likely to yield no return. We are also unable to enforce on accounts where any underlying debt documentation is legally defective. As our business relies on our ability to enforce the contracts underlying our owned customer accounts, a contract found to be invalid could hinder our ability to recover from our account purchases. 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 uncollectible, we may be unable to recover a sufficient amount, or anything at all, and such portfolio purchase could be unprofitable. Additionally, we may be unable to ascertain whether the originator has been in compliance in connection with the underlying accounts from the outset. If we are unable to put back an account, our ability to recover on the accounts underlying our debt portfolios may be affected. We would not be able to collect on a portfolio to which someone else held legal ownership, or would need to spend time and resources establishing our own legal ownership of the portfolio if such ownership was unclear. The internal controls we have in place to detect such types of fraud may fail. If we are the victim of fraud, we could lose cash or reduce our collections, in either case negatively affecting our financial condition, financial returns and results of operations. Any of the foregoing could materially and adversely affect our financial condition, financial returns and results of operations.

Our collections may decrease if the number of consumers becoming subject to personal insolvency procedures increases.

We recover on debt portfolios that become subject to insolvency procedures under applicable laws and we also purchase accounts that are currently subject to insolvency proceedings. Various economic trends and potential changes to existing legislation may contribute to an increase in the number of consumers subject to personal insolvency procedures. Under some insolvency procedures a person's assets may be sold to repay creditors, but because the debt portfolios we service are generally unsecured, the third party debt DCA that we employ often is not able to collect on such portfolios. The ability to successfully collect on our debt portfolios may decline with an increase in personal insolvency procedures or a change in insolvency laws, regulations, practices or procedures. If actual collections with respect to debt portfolios are significantly lower than our projections when we purchased such portfolios, then our financial condition, financial returns and results of operations could be materially and adversely affected.

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

In recent years, there has been a substantial increase in consumer claims being brought through the courts and before the FOS in attempts to claim refunds of sums paid under consumer credit agreements or to avoid making payments going forward. This litigation has been fueled by a substantial rise in the number and activity of 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. Certain claims volumes have been made in relation to payment protection insurance premiums (which on occasion may be included as part of the debt being collected) and other types of charges added onto credit accounts. As a result of payment protection insurance refund policies, we may experience a reduction in the collectible balances of debt portfolios and an increase in administrative burdens. Claims could also be brought in relation to other areas of alleged non-compliance, which could affect a large portfolio of agreements. We may in the future be named as defendants in litigation, including under consumer credit, tax, collections, employment, competition and other laws. Such claims against us, regardless of merit, could 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, be subject to enforcement orders or have our registration with a particular regulator revoked, and our reputation, financial condition, financial returns and results of operations could be materially and adversely affected. In addition, claims management companies and consumer rights groups could increase their focus on the debt collection industry and, in particular, the collection of debts owed under regulated agreements. Such negative publicity or attention could result in increased litigation against us, including class action suits.

We may make acquisitions or pursue business combinations that prove unsuccessful or strain or divert our resources.

We may seek to grow our business by acquiring or combining with other businesses. Successful growth through future acquisitions is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favorable terms and ultimately complete such transactions and integrate the acquired business into our Group.

If we make acquisitions, there can be no assurance that we will be able to generate expected margins or cash flows, or to realize the anticipated benefits of such acquisitions, including growth or expected synergies. There can be no assurance that our assessments of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. We may not be able to integrate acquisitions successfully into our business or such integration may require more investment than we expect, and we could incur or assume unknown or unanticipated liabilities or contingencies with respect to customers, employees, suppliers, government authorities or to other parties, which may impact our results of operations. The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our results of operations as a result of difficulties or risks, including:

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

Moreover, any acquisition may result in the incurrence of additional debt, which could reduce our profitability and harm our business.

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

We rely upon unpatented proprietary know how 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, customer databases and our business processes, and the risk of disclosure of such proprietary know how could be heightened if any such employee ceased to work for us. While it is our policy to enter into confidentiality agreements with 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 to our intellectual property or confidential agreements may result in the use by competitors of our technologies or processes, which may materially and adversely affect our business.

Forward flow agreements may contractually require us to purchase portfolios at a higher price than desired.

While we have largely moved away from forward flow agreements and at present have only one such agreement, from time to time we may enter into forward flow contracts, where we purchase portfolios based upon a contract that requires us to make multiple buys from a vendor at a fixed price. In the 15 months ended December 31, 2009 and the 12 months ended December 31, 2010 and 2011, 0%, 1% and 3%, respectively, of the debt we purchased involved forward flow agreements. Depending upon the length of the contractual arrangements, forward flow agreements typically contain termination clauses that allow the arrangement to be terminated only in certain limited circumstances. We may be required to purchase debt under a forward flow agreement for an amount higher than we would otherwise agree at the time of purchase, which could result in reduced returns. In a more competitive environment, we could be faced with a decision to either decrease our purchasing volume or agree to forward flow agreements at increased prices or with fewer contractual protections, any of which could have a material and adverse effect on our results of operations. We generally contemplate future fluctuations in the value of the debt that we purchase through forward flow agreements, but such fluctuations in value may exceed our expectations. If the quality of debt purchased varies from our pricing assumptions, we may price the contract improperly, which could materially and adversely affect our business.

Potential liability for historic taxation.

HM Revenue and Customs (‘‘**HMRC**’’) have been reviewing the substance of offshore structures in the debt collection and insurance industries. Arrow Global Guernsey Holdings Limited, the principal holding company of our Group is a Guernsey-incorporated company that is tax resident in Guernsey. Arrow Global Guernsey Limited is also a Guernsey-incorporated trading company that is tax resident in Guernsey. We have been involved in ongoing discussions with HMRC since 2011 on the substance of our business activities performed in Guernsey. In the event that HMRC successfully contend that Arrow Global Guernsey Limited’s activities have historically included U.K.-based operations, substantial additional taxation would arise, along with interest and possibly penalties. In addition, in the event of enforcement of Collateral, a tax degrouping charge may arise.

Any impairment of our ability to draw funds under our New Revolving Credit Facility could adversely impact our business operations.

Currently, our operations are primarily financed using cash generated in our operations, shareholders’ loan and funds drawn from the Existing Revolving Credit Facility. Following the completion of this Offering and the application of the proceeds thereof, we will terminate the Existing Revolving Credit

Facility, which we will replace with the New Revolving Credit Facility to service our portfolio purchases, working capital needs and for various other purposes. Should we lose the ability to access our New Revolving Credit Facility, we may not be able to make new purchases of debt portfolios, which would negatively and adversely impact future collections, and consequently future cash flows. If our owned debt portfolios were to become depleted due to our inability to purchase new debt portfolios, we may face difficulty in accessing sources of credit, as potential creditors may require security over our debt portfolios. Further, if we were unable to draw funds under our New Revolving Credit Facility, we may need to decrease our level of debt portfolio purchases and the size of our owned debt portfolios would decrease over time. There also can be no assurance that we will have sufficient cash resources on hand at any given time to meet our expenses or debt servicing requirements. Our ability to draw on the New Revolving Credit Facility depends on, among other things, our ability to meet certain financial ratios which could be affected by a number of factors, including by events beyond our control. This inability to purchase portfolios or to maintain our operations due to a lack of cash flow would materially and adversely affect our business.

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

Our tax returns are prepared in accordance with applicable tax legislation and prevailing case law. Certain tax positions we take are based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. These positions may relate to tax compliance, sales and use value-added, permanent establishment, classification of income, treaty relief, withholding tax, franchise, gross receipts, payroll, property and income tax issues, including tax base and apportionment. We cannot be certain that the tax authorities will be in agreement with our view. We are subject to periodic tax audits and any challenges made by tax authorities to our application of tax rules may result in adjustments to the timing or amount of taxable income or deductions. If any such challenges are made and are not resolved in our favor, they could have an adverse effect on our financial condition and result of operations. Additionally, changes in tax laws or rules or the application thereof could increase the amount of tax we must pay.

We are subject to fluctuations in foreign exchange rates.

Our income from our portfolios in Portugal is denominated in euro while we report our financial results in pounds sterling. Further, we buy portfolios with accounts denominated in euro and will service these accounts through the placement and collections process. The results of our activities in Portugal and the collections received on any euro-denominated accounts are generally reported in euro and then translated into pounds sterling at the applicable exchange rate for inclusion in our financial statements, thus exposing us to currency translation risk. Consequently, any change in the exchange rate between the euro and the pound sterling will affect our Financial Statements when the results of our Portuguese portfolios are translated into pounds sterling for reporting purposes. The exchange rate between these currencies may fluctuate substantially, which could materially and adversely affect our financial condition, financial returns and results of operations.

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

We enter into certain derivative transactions, such as foreign exchange contracts and interest rate contracts, to hedge against certain financial risks. Changes in the fair value of these derivative financial instruments that are not cash flow hedges are reported in income, and accordingly could materially affect our reported income in any period. Moreover, in light of current economic uncertainty and the potential for financial institution failures, we may be exposed to the risk that our counterparty in a derivative transaction may be unable to perform its obligations as a result of being placed in receivership or otherwise. In the event that a counterparty to a material derivative transaction is unable to perform its obligations thereunder, we may experience losses that could materially adversely affect our financial condition, financial returns and results of operations.

Risks Relating to the Notes and Guarantees

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

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

Our substantial debt could prevent us from fulfilling our obligations under the Notes.

We will continue to have a substantial amount of debt and significant debt service obligations after the Refinancing. As at October 31, 2012, on a pro forma basis after giving effect to the Refinancing, we would have had an aggregate principal amount of £211 million of total debt (net of expected debt issue costs). See ''Capitalization.'' We would also have had £40 million available for borrowing under the New Revolving Credit Facility. For a detailed description of our debt, see ''Description of Other Indebtedness.''

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

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

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

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

Although our financing agreements and the Indenture contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and debt incurred in compliance with these restrictions could be substantial or secured and in some cases, in priority to the Notes. Under the Indenture, in addition to specified permitted indebtedness, we will be able to incur additional indebtedness so long as on a pro forma basis our consolidated fixed charge coverage ratio, as defined in the Indenture is at least 2.75 to 1.0. Incurring such additional debt could further increase the related risks we now face, as described herein.

We are subject to covenants under our financing agreements that limit our operating and financial flexibility.

Our financing agreements and the Indenture contain covenants that impose significant operating and financial restrictions on us. These agreements limit our ability to, among other things:

- incur or guarantee additional indebtedness;
- make certain restricted payments and investments;
- transfer or sell assets;
- enter into transactions with affiliates;
- create or incur certain liens;
- make certain loans, investments or acquisitions;
- issue or sell share capital of certain of our subsidiaries;
- issue or sell redeemable preferred shares;
- prepay or redeem subordinated debt;
- create or incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us; and
- merge, consolidate or transfer substantially all of our assets.

Any future indebtedness may include similar or other restrictive terms. These restrictions could materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities or consummate transactions that may be in our best interest. See ''Description of Other Indebtedness'' and ''Description of the Notes—Certain Covenants.''

In addition to limiting our flexibility to operate our business, a breach of the covenants under the Indenture could cause a default under the terms of our other financing agreements and cause all the debt under those agreements to be accelerated. If this were to occur, we can make no assurance that we would have sufficient assets to repay our debt.

Many of the covenants in the Indenture will be suspended if the Notes are rated investment grade with a stable outlook by both of Standard & Poor's Rating Services and Moody's Investor Service, Inc., provided at such time no default under the Indenture has occurred and is continuing. There can be no assurance that the Notes will ever be rated investment grade, or that if they are rated investment grade, that the Notes will maintain such ratings. See ''Description of the Notes—Certain Covenants—Suspension of Certain Covenants When Notes Rated Investment Grade.''

We may not be able to generate sufficient cash to service our debt.

Our ability to make scheduled payments on the Notes and to meet our other debt service obligations depends on our future operating and financial performance and our ability to generate cash. If we cannot generate sufficient cash to meet our debt service obligations or fund our other business needs, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned acquisitions or capital expenditures, or sell assets. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Notes. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.''

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

The Principal Shareholder indirectly controls the Issuer. As a result, the Principal Shareholder has, and will continue to indirectly 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. In addition, for compliance with certain restrictive covenants, we will depend upon the cooperation of our Principal Shareholder, who has the power to effect our compliance with such covenants. The interests of the Principal Shareholder and its affiliates could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. The Principal Shareholder and its affiliates could also have an interest in pursuing acquisitions, divestitures, dividends, financings or other transactions which, in its judgment, could enhance its equity investments, although such transactions might involve risks to you as a holder of Notes. In addition, the Principal Shareholder or their affiliates may, in the future, own businesses that directly compete with us or do business with ours, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may not be able to finance a Change of Control Offer.

Upon a Change of Control Triggering Event, as defined in the Indenture, we would be required to make an offer to repurchase the Notes at 101% of their principal amount. A Change of Control Triggering Event requires that (a) prior to the 24-month anniversary of the Issue Date, the occurrence of a Change of Control *provided* immediately thereafter and giving *pro forma* effect thereto the Secured LTV Ratio is greater than 0.50, or (b) on or after the 24-month anniversary of the Issue Date, the occurrence of a Change of Control. The source for any repurchase required as a result of any such event will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by our subsidiaries. If a Change of Control Triggering Event occurs, there can be no assurance that we will have sufficient funds to repurchase the Notes that have been tendered. See ''Description of the Notes—Certain Covenants—Change of Control.'' In addition, a Change of Control Triggering Event could constitute a default under our other indebtedness.

Our shareholders and their advisors are reviewing strategic alternatives with respect to the Group, including the possible sale of the business. Our shareholders may therefore enter into discussions with, or solicit indications from, interested parties, the result of which may or may not lead to the sale of our business.

It may not be certain that a Change of Control has occurred or will occur.

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

The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes.

The Notes will be secured by the Collateral. These assets are also pledged, on a priority basis, for the benefit of the lenders under the New Revolving Credit Facility and counterparties under certain priority hedging obligations. As a result, holders of Notes (''**Noteholders**'') will only be entitled to be repaid from the proceeds of the Collateral, if any, after lenders under the New Revolving Credit Facility and counterparties under certain priority hedging obligations have been repaid. In addition, the Indenture will allow the incurrence of certain additional permitted debt in the future that is secured by the Collateral. See ''Description of the Notes—Certain Covenants—Limitation on Liens.'' The incurrence of any additional debt secured by the Collateral would reduce amounts payable to you from the proceeds of any sale of the Collateral. The value of the Collateral and the amount to be received upon a sale of such Collateral will depend upon many factors including, among others, the ability to sell the Collateral in an orderly sale, the availability of buyers and other factors. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. Portions of the Collateral may be illiquid and may have no readily ascertainable market value. In the event of an enforcement of the liens in respect of the Notes, the proceeds from the sale of the Collateral may not be sufficient to satisfy our obligations under the Notes.

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

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

- where such disposal is permitted under the Indenture;
- in connection with the enforcement of the Collateral in accordance with the Intercreditor Agreement; and
- upon the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary.

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

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

Creditors under the New Revolving Credit Facility and certain priority hedging liabilities are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.

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

Pursuant to the Intercreditor Agreement, the liabilities under the New Revolving Credit Facility and certain priority hedging obligations will have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to the Collateral. As such, in the event of a foreclosure of the Collateral, you may not be able to recover on the Collateral if the outstanding claims under the New Revolving Credit Facility and such hedging obligations are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the New Revolving Credit Facility and such hedging obligations have been discharged from such recoveries, be applied *pro rata* in repayment of the Notes, certain other hedging obligations and any other obligations secured by the Collateral. The Intercreditor Agreement will provide that a common Security Agent, who will also serve as the security trustee for the lenders under the New Revolving Credit Facility, our hedging obligations and any additional secured debt permitted to be incurred by the Indenture, will act only as provided for in the Intercreditor Agreement. In general, the facility agent under the New Revolving Credit Facility and any agent with respect to any permitted future secured debt will have, subject to certain restrictions in connection with, among others, the ability to provide enforcement instructions to the Security Agent, the right to enforce the shared Collateral. The Intercreditor Agreement will provide that where there is an inconsistency between enforcement instructions provided by the holders of more than 66⅔% of the aggregate of all outstanding liabilities under the New Revolving Credit Facility and the priority hedging liabilities (the ''**Majority Super Senior Creditors**'') and the holders of more than 50% of the aggregate principal amount of the then outstanding Notes as set out in the Indenture, certain other hedging obligations and any other obligations that may be secured by the Collateral (the Majority Senior Secured Creditors) following a consultation period, the instructions of the Majority Super Senior Creditors will prevail. However, if and to the extent the obligations under the New Revolving Credit Facility have not been fully discharged within six months of such enforcement instructions first being issued or an insolvency event (as defined in the Intercreditor Agreement) occurs, the enforcement instructions provided by the Majority Super Senior Creditors will prevail. The lenders under the New Revolving Credit Facility, certain priority hedging counterparties or lenders of any other future class of debt that ranks *pari passu* with the indebtedness under the New Revolving Credit Facility may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the security documents at a time when it would be disadvantageous for the holders of the Notes to do so.

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

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

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

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

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

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

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

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

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

The security over the Collateral will not be granted directly to the holders of the Notes.

The security interests in the Collateral that will secure the obligations of the Issuer and the Guarantors under the Notes and the Guarantees, respectively, will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Indenture and the Intercreditor Agreement will provide that only the Security Agent has the right to enforce the Security Documents. As a consequence, the holders of the Notes will not be entitled to take enforcement action in respect of the Collateral, except through the Trustee for the Notes, who will provide instructions to the Security Agent in accordance with the Indenture and the Intercreditor Agreement. Holders of the Notes will also bear some risks associated with a possible insolvency or bankruptcy of the Security Agent.

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

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

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

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

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

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

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

The United States and England and Guernsey 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. In order to enforce any such U.S. judgment in England and Guernsey, proceedings must first be initiated before a court of competent jurisdiction in England and Guernsey. In such an action, the English or Guernsey court, as the case may be, would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English or Guernsey court, as the case may be, in such an action is conditional upon (among other things) the following:

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

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

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

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

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

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

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

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

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

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

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

If certain changes to tax law were to occur, we would have the option to redeem the Notes.

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

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

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

An active trading market may not develop for the Notes.

The Notes are new securities for which there is currently no existing market. Although we have made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and be admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will become or will remain listed. In addition, we cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that have caused substantial price volatility. We cannot assure you that if a market for the Notes were to develop, such a market would not be subject to similar disruptions. We have been informed by the Initial Purchasers that they intend to make a market for the Notes after this Offering is completed. Nevertheless, the Initial Purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

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

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

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

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

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

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

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

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

USE OF PROCEEDS

We intend to use the proceeds from the Offering to (i) repay in full our borrowings under our Existing Revolving Credit Facility, (ii) repay a portion of our shareholders' loan and non-controlling interest loan (including, in each case, accrued and unpaid interest), (iii) pay fees and expenses in connection with the Refinancing and (iv) for general corporate purposes, which may include loan portfolio acquisitions.

Sources and Uses

Our expected estimated sources and uses of the funds are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimates of the outstanding amounts under our Existing Revolving Credit Facility and any prepayment costs, including differences from our estimates of fees and expenses.

Sources of funds	(£ thousands)	Uses of funds	(£ thousands)
Notes offered hereby	220,000	Repayment of Existing Revolving Credit Facility[1]	97,219
		Repayment of shareholders' loan and non-controlling interest loan[2]	80,000
		Total transaction costs[3]	9,000
		Cash on balance sheet	33,781
Total sources	**220,000**	**Total uses**	**220,000**

(1) Represents the repayment in full of the principal amount, and any accrued interest on, the Existing Revolving Credit Facility based on the expected balance as of the Issue Date.

(2) As at October 31, 2012, the shareholders' loan consist of £103.9 million (including accrued and unpaid interest) of shareholder loan notes issued by Arrow Global Guernsey Holdings Limited. As at October 31, 2012 the non-controlling interest loan consists of £2.6 million (including accrued and unpaid interest) loan notes issued to non-controlling shareholders. Both loan notes incur interest at a rate of 15% per annum and mature on December 31, 2015. Following, the partial repayment of the shareholders' loan, the remainder of the shareholder loan notes issued by Arrow Global Guernsey Holdings Limited will be converted into equity in Arrow Global Guernsey Holdings Limited.

(3) Represents our estimated fees and expenses associated with the Refinancing, including placement, financial advisory and other transaction costs and professional expenses.

CAPITALIZATION

The following table sets forth our consolidated capitalization and certain other balance sheet information as at October 31, 2012 on an actual basis, and on an as adjusted basis to give effect to the Refinancing and the use of proceeds therefrom, as described in ''Use of Proceeds.'' As adjusted information below is illustrative only and does not purport to be indicative of our capitalization following the completion of the Offering.

You should read this table together with the sections of this Offering Memorandum entitled ''Use of Proceeds,'' ''Selected Historical Consolidated Financial Data'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and with our Financial Statements and related notes included elsewhere in this Offering Memorandum.

	As at October 31, 2012	
	Actual	As adjusted
	(£ thousands)	
Cash and cash equivalents	**13,998**	**70,624(1)**
Debt		
Bank loan(2)	74,374	—
Senior Secured Notes offered hereby(3)	—	220,000
New Revolving Credit Facility(4)	—	—
Shareholders' loan(5)(6)	103,947	—
Non-controlling interest loan(5)(6)	2,558	—
Debt issue costs	(2,007)	(9,000)
Total debt	**178,872**	**211,000**
Equity attributable to shareholders(7)	**9,591**	**34,089**
Total capitalization	**188,463**	**245,089**

(1) As adjusted cash and cash equivalents is calculated based on the outstanding balance under our Existing Revolving Credit Facility as of October 31, 2012. Cash and cash equivalents on an as adjusted basis as at December 31, 2012 would be reduced to £40.6 million as a result of portfolio purchases and an increase in indebtedness of £25.6 million under our Existing Revolving Credit Facility. Our Financial Statements for the year ended December 31, 2012 have not yet been completed. See ''Summary—Recent Developments.''

(2) Our Bank loan consists of our Existing Revolving Credit Facility. As of December 31, 2012, the outstanding balance of our Existing Revolving Credit Facility was £100.0 million (excluding unamortized debt issue costs of £2.6 million). As of the Issue Date, we expect the outstanding balance thereunder to amount to £97.2 million. The £2.8 million decrease in the outstanding balance represents the net amount of repayments and additional borrowings after December 31, 2012 but before the Issue Date. We currently have contractual commitments to purchase loan portfolios for an aggregate purchase price of £19.2 million. The outstanding indebtedness under our Existing Revolving Credit Facility, including accrued interest thereon, will be prepaid in full on the Issue Date with the proceeds of the Offering. See ''Use of Proceeds.'' In addition, our Bank loan as at October 31, 2012 also includes a loan in the amount of £11 million entered into by Arrow Global Guernsey Holdings Limited and RBS Asset Management Limited on October 29, 2012 that was repaid on November 2, 2012. The loan was advanced to facilitate the acquisition of a portfolio while we were in the process of drawing under our Existing Revolving Credit Facility.

(3) The Issuer is hereby offering £220 million aggregate principal amount of the Notes.

(4) We will enter into a five year £40 million New Revolving Credit Facility in connection with the Offering, which we do not expect to draw down at the closing of the Offering. See ''Description of Other Indebtedness—New Revolving Credit Facility.''

(5) The amount does not include interest accrued from October 31, 2012 to the Issue Date.

(6) Part of the shareholders' loan and the non-controlling interest loan, including accrued interest thereon, will be partially repaid on the Issue Date with the proceeds of the Offering. See ''Use of Proceeds.'' As at October 31, 2012, the shareholders' loan consists of £103.9 million shareholders loan notes issued by Arrow Global Guernsey Holdings Limited. As at October 31, 2012, the non-controlling interest loan consists of £2.6 million loan notes issued to non-controlling shareholders. Both loan notes incur interest at a rate of 15% per annum and mature on December 31, 2015.

(7) Following the partial repayment of the shareholders' loan, the remainder of the shareholder loan notes issued by Arrow Global Guernsey Holdings Limited will be converted into equity in Arrow Global Guernsey Holdings Limited.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables sets forth our selected historical consolidated financial data as at the dates and for the periods indicated. The Consolidated Financial Statements as of and for the 15 months ended December 31, 2009 and the years ended December 31, 2010 and 2011 and the related notes and the Interim Financial Statements as at and for the ten months ended October 31, 2011 and 2012 and the related notes are included elsewhere in this Offering Memorandum. The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. The Consolidated Financial Statements have been prepared in accordance with IFRS The Interim Financial Statements have been prepared in accordance with IAS 34.

The presentation of certain items included herein for the 15 months ended December 31, 2009 and the 12 months ended December 31, 2010 and 2011 differs from the presentation in the Consolidated Financial Statements included elsewhere in this Offering Memorandum due to a change in classification in order to present these items in a manner that is consistent with the presentation in the Interim Financial Statements, which reflects both a fairer presentation in light of the requirements of IAS 7 ''Statement of Cash Flow'' and industry practice. This reclassification results in a change in the presentation of purchases of purchased loan portfolios to be accounted for within net cash flow from operating activities rather than within net cash flow from investing activities. The Consolidated Financial Statements included within this Offering Memorandum have not been amended in this regard. See ''Summary Historical Consolidated Financial Data.''

As a result of a reorganization of our business in 2009 in connection with our acquisition by the RBS Special Opportunities Fund, our Consolidated Financial Statements for the 15 months ended December 31, 2009 include the 15-month period from October 8, 2008 to December 31, 2009. In connection with the reorganization, Arrow Global Guernsey Holdings Limited was incorporated on October 8, 2008 and remained dormant until January 22, 2009, when it acquired certain businesses and assets from a subsidiary of Sallie Mae and from RB Investments 1 Limited. Accordingly, the financial information presented for the year ended December 31, 2010 and the corresponding information presented for the 15 months ended December 31, 2009 is not directly comparable.

The results of operations for prior periods are not necessarily indicative of the results to be expected for the full year or any future period. This financial information should be read in conjunction with the Financial Statements included elsewhere in the Offering Memorandum and with ''Presentation of Financial and Other Information,'' ''Selected Historical Consolidated Financial Data'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations.''

Consolidated Statement of Comprehensive Income

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009[6]	2010	2011	2011	2012	2012
			(£ thousands)			
Continuing operations						
Revenue						
Income from purchased loan portfolios	14,225	17,962	47,493	38,949	50,501	59,045
Portfolio write-up[1]	1,448	5	816	816	856	856
Profit/(loss) on portfolio and loan note sales	204	1,632	(25)	(406)	318	699
Other income[2]	1,055	441	1,602	427	1,597	2,772
Total revenue	**16,932**	**20,040**	**49,886**	**39,786**	**53,272**	**63,372**
Total operating expenses	(12,000)	(14,167)	(28,545)	(22,518)	(28,356)	(34,383)
Operating profit	**4,932**	**5,873**	**21,341**	**17,268**	**24,916**	**28,989**
Profit recognized on acquisition of subsidiary[3]	3,188	—	—	—	—	—
Interest expense[4]	(6,434)	(7,882)	(15,132)	(12,459)	(15,708)	(18,381)
Profit/(loss) before tax	**1,686**	**(2,009)**	**6,209**	**4,809**	**9,208**	**10,608**
Taxation charge on ordinary activities	—	(45)	(2,006)	(1,672)	(2,565)	(2,899)
Loss for the period from discontinued operations[5]	(379)	—	—	—	—	—
Profit/(loss) for the period attributable to equity shareholders	**1,307**	**(2,054)**	**4,203**	**3,137**	**6,643**	**7,709**
Foreign exchange translation difference arising on revaluation of foreign operations	(158)	(10)	(291)	(332)	(62)	(21)
Total comprehensive income/(loss) for the period attributable to equity shareholders	**1,149**	**(2,064)**	**3,912**	**2,805**	**6,581**	**7,688**

(1) Portfolio write-up represents adjustments arising when the carrying values of the loan portfolios are assessed with reference to the latest 84-Month ERC discounted at the EIR, or when impairments are recorded.

(2) Other income consists of interest income and profit on disposal of secured loan notes and income from asset management.

(3) Profit recognized on acquisition of subsidiary consists of negative goodwill recognized as part of a business combination that arose in relation to our acquisition by the RBS Special Opportunities Fund during the 15 months ended December 31, 2009.

(4) Interest expense includes shareholder interest expense, interest on bank loans, interest on non-controlling interest loans, and the fair value movement on interest rate swaps.

(5) Loss for the period from discontinued operations relates to the disposal of our interest in the assets of Strzala Sp. z o.o. during the 15 months ended December 31, 2009.

(6) We began operations on January 22, 2009.

Consolidated Balance Sheet

	As at December 31,	As at December 31,		As at October 31,	
	2009	2010	2011	2011	2012
		(£ thousands)			
Assets					
Non-current assets					
Purchased loan portfolios	32,402	48,280	114,883	84,182	137,302
Other non-current assets[(1)]	3,600	2,851	4,090	3,776	4,081
Total non-current assets	**36,002**	**51,131**	**118,973**	**87,958**	**141,383**
Current assets					
Cash and cash equivalents	13,038	4,681	6,440	12,902	13,998
Purchased loan portfolios	8,109	14,155	35,122	25,736	36,498
Other current assets[(2)]	2,639	1,576	6,048	4,983	7,005
Total current assets	**23,786**	**20,412**	**47,610**	**43,621**	**57,501**
Total assets	**59,788**	**71,543**	**166,583**	**131,579**	**198,884**
Total purchased loan portfolios	*40,511*	*62,435*	*150,005*	*109,918*	*173,800*
Equity					
Total equity attributable to shareholders	**1,165**	**(899)**	**3,010**	**1,903**	**9,591**
Liabilities					
Non-current liabilities					
Bank loan	—	—	58,983	29,718	61,367
Shareholders' loan	47,964	55,725	91,703	89,434	103,947
Other non-current liabilities[(3)]	2,292	1,547	1,950	1,904	2,558
Total non-current liabilities	**50,256**	**57,272**	**152,636**	**121,056**	**167,872**
Current liabilities					
Bank loan	—	7,027	—	—	11,000
Other current liabilities[(4)]	8,367	8,143	10,937	8,620	10,421
Total current liabilities	**8,367**	**15,170**	**10,937**	**8,620**	**21,421**
Total liabilities	**58,623**	**72,442**	**163,573**	**129,676**	**189,293**
Total equity and liabilities	**59,788**	**71,543**	**166,583**	**131,579**	**198,884**

(1) Other non-current assets consists of goodwill, other intangible assets, property, plant and equipment, secured loan notes and amounts due from related parties, as applicable.

(2) Other current assets consists of other receivables, secured loan notes, current tax asset, deferred tax asset, derivative asset and amounts due from related parties, as applicable.

(3) Other non-current liabilities consists of non-controlling interest loan and deferred consideration, as applicable.

(4) Other current liabilities consists of trade and other payables, derivative liability, deferred consideration and current tax liability, as applicable.

Consolidated Statement of Cash Flows

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	2010	2011	2011	2012	2012
			(£ thousands)			
Net cash flow from operating activities before purchases of purchased loan portfolios	11,907	14,069	35,043	26,756	40,349	48,636
Purchases of purchased loan portfolios	(5,768)	(29,613)	(109,744)	(65,842)	(45,695)	(89,597)
Net cash flow from operating activities[(1)]	6,139	(15,544)	(74,701)	(39,086)	(5,346)	(40,961)
Net cash flow from investing activities[(1)]	(36,919)	(265)	(1,777)	(1,162)	(630)	(1,245)
Net cash flow from financing activities	41,641	7,462	78,224	48,484	13,704	43,444
Net increase (decrease) in cash and cash equivalents	**10,861**	**(8,347)**	**1,746**	**8,236**	**7,728**	**1,238**

(1) The presentation of certain items included herein for the 15 months ended December 31, 2009 and the 12 months ended December 31, 2010 and 2011 differs from the presentation in the Consolidated Financial Statements included elsewhere in this Offering Memorandum due to a change in classification in order to present these items in a manner that is consistent with the presentation in the Interim Financial Statements, reflects both a fairer presentation in light of the requirements of IAS 7 ''Statement of Cash Flows'' and industry practice. This reclassification results in a change in the presentation of Purchases of purchased loan portfolios to be accounted for within Net cash flow from operating activities rather than within Net cash flow from investing activities as presented in the Consolidated Financial Statements, and results in a decrease in Net cash flow from operating activities and an increase in Net cash flow from investing activities of £109.7 million and £29.6 million for the 12 months ended December 31, 2011 and 2010 respectively and £5.8 million for the fifteen months ended December 31, 2009 as follows:

The table below indicates the effect of this classification for the periods above.

	15 months ended December 31,		12 months ended December 31,			
	2009		2010		2011	
	As originally stated	As re-presented	As originally stated	As re-presented	As originally stated	As re-presented
			(£ thousands)			
Net cash flow from operating activities before purchases of purchased loan portfolios	11,907	11,907	14,069	14,069	35,043	35,043
Purchases of purchased loan portfolios	—	(5,768)	—	(29,613)	—	(109,744)
Net cash flow from operating activities	11,907	6,139	14,069	(15,544)	35,043	(74,701)
Net cash flow from investing activities	(42,687)	(36,919)	(29,878)	(265)	(111,521)	(1,777)
Net cash flow from financing activities	41,641	41,641	7,462	7,462	78,224	78,224
Net increase (decrease) in cash and cash equivalents	**10,861**	**10,861**	**(8,347)**	**(8,347)**	**1,746**	**1,746**

This reclassification did not affect our consolidated balance sheets or our consolidated statements of comprehensive income for any of the prior periods, nor did it affect the net increase (decrease) in cash or cash equivalents reported for any of the prior periods. The Consolidated Financial Statements included within this Offering Memorandum have not been amended in this regard.

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

The following discussion and analysis of the financial condition and results of operations of the Company and its subsidiaries should be read in conjunction with ''Presentation of Financial and Other Information'' and ''Selected Historical Consolidated Financial Data'' included elsewhere in this Offering Memorandum. The following discussion should also be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements included elsewhere in this Offering Memorandum.

As a result of a reorganization of our business in 2009 in connection with our acquisition by the RBS Special Opportunities Fund, our audited consolidated financial statements for 2009 include the 15-month period from October 8, 2008 to December 31, 2009. In connection with the reorganization, Arrow Global Guernsey Holdings Limited was incorporated on October 8, 2008 and remained dormant until January 22, 2009, when it acquired certain businesses and assets from a subsidiary of Sallie Mae and from RB Investments 1 Limited. Accordingly, the financial information presented for the year ended December 31, 2010 and the corresponding information presented for the 15 months ended December 31, 2009 are not directly comparable.

The following discussion includes forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including, but not limited to, those described under ''Forward-Looking Statements'' and ''Risk Factors'' elsewhere in this Offering Memorandum.

Certain of the financial measures described below such as Adjusted EBITDA, 84-Month ERC, 120-Month ERC, Net Core Collections, Cash-on-Cash Multiple, Net Cash-on-Cash Multiple and Unlevered Net IRR and certain other financial measures and ratios are not measures determined in accordance with IFRS and you should not consider such items as an alternative to the applicable IFRS measures. These measures and related ratios should not be considered in isolation and are not measures of our financial performance or liquidity under IFRS and should not be considered as an alternative to profit/(loss) for the period attributable to equity shareholders or any other performance measures derived in accordance with IFRS or as an alternative to net cash flow from operating activities or any other measure of our liquidity derived in accordance with IFRS. These measures may not be indicative of our results of operations and do not necessarily indicate whether cash flow will be sufficient or available for cash requirements. In addition, these measures, as we define them, may not be comparable to other similarly titled measures used by other companies. You should exercise caution in comparing these measures as reported by us to such measures of other companies. Each of these measures has limitations as an analytical tool, and you should not consider them in isolation. See ''Presentation of Financial and Other Information—Other Financial Information.''

Overview

We are a leading purchaser of defaulted consumer debt in the U.K. and Portugal. We have grown since we were established in the U.K. in 2005 and we have built a high quality portfolio comprising approximately 3.5 million purchased accounts with an aggregate face value of £5.6 billion generating an 84-Month ERC of £406.2 million as at October 31, 2012 which we believe is one of the largest in the industry. Of the investments we have made since January 2009, 91.4%, as measured by purchase price, have been originated in the U.K. Our Unlevered Net IRR as at October 31, 2012 was 29.1%.

Illustrative Economics

The illustration below gives a high-level overview of our business model by looking at an example of the purchase of a hypothetical loan portfolio for £3.9 million with a face value of £100 million, and is based on the average expected performance of our purchased loan portfolios as at October 31, 2012. Assuming a Collection Cost Ratio of 23% (which we cannot assume to be typical of all of our purchased loan portfolios and which may be higher than 23% going forward), our cumulative Net Core Collections would equal the purchase price of the loan portfolio in month 35 after purchase. See ''—Collection Activity Costs and Operational Efficiency.'' Net Core Collections represent Core Collections less Collection Activity Costs. Aggregate Core Collections over the 84-month period would equal £9.1 million, with significant collections remaining outside of this 84-month period.

Illustrative Economics *(£ million, except as otherwise indicated)*

Face value of purchased loan portfolio	100
Price paid for the loan portfolio	3.9
Core Collections (84 months)(1)	9.1
Gross Cash-on-Cash Multiple(2)	**2.3x**
Months to break-even on investment (before consideration of costs)	~25 months
Collection Cost Ratio(3)	**23%**
Net Core Collections (84 months)(4)	7.0
Net Cash-on-Cash Multiple(2)	**1.8x**
Months to break-even on investment	~35 months
Unlevered Net IRR(5)	**29%**

(1) Core Collections are collections on our purchased loan portfolios.

(2) Cash-on-Cash Multiple represents the Collections to Date plus the 84-Month ERC, all divided by the purchase price for each portfolio. Net Cash-on-Cash Multiple represents the Collections to Date plus the 84-Month ERC, net of Collection Activity Costs, all divided by the purchase price for each portfolio. See ''Presentation of Financial and Other Information—Other Financial Information'' and ''Use of Terms.''

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

(4) Net Core Collections are Core Collections less Collection Activity Costs. Collection Activity Costs represent the direct costs of external collections related to our purchased loan portfolios such as commissions paid to third party outsourced providers, credit bureau data costs, legal costs associated with collections and costs related to the in-house customer service team.

(5) Unlevered Net IRR is calculated using expected Core Collections for the next 84 months subsequent to the date of purchase of the loan portfolio adjusted regularly in line with ERC. See ''Presentation of Financial and Other Information—Other Financial Information'' and ''Use of Terms.''

The example above has been provided for illustrative purposes only and does not purport to represent what our loan portfolio returns have been in the past, nor does it purport to represent our loan portfolio returns for any future date. Historical returns on loan portfolios are not indicative of future performance on loan portfolios. See ''Risk Factors—Risks Related to Our Business—The value of our Backbook may deteriorate, or we may not be able to collect sufficient amounts on our debt portfolios to fund our operations'' and ''Risk Factors—Risks Related to Our Business—The statistical models and analytical tools we use in our business may prove to be inaccurate and we may not achieve the recoveries anticipated.''

Cash Conversion

The analysis below is an illustration of the cash generation of our business and is based on our financial data for the 12 months ended October 31, 2012. We believe this is representative of our business model and demonstrates our high cash conversion of Core Collections to Adjusted EBITDA for the business over the period. The analysis is for illustrative purposes only and does not present what cash generation capabilities have been in the past and what they may be in the future. We make several assumptions regarding the normalized line-items, below, to derive a normalized figure for cash generation.

Cash conversion *(£ thousands)*		**For the 12 months ended October 31, 2012**
Core Collections(1)		84,003
Adjusted EBITDA(2)	A	58,959
Normalized interest payments(3)		18,005
Normalized tax payments(4)		2,636
Normalized long term capital expenditure(5)		130
Normalized interest, tax and long-term capital expenditure	B	20,771
Surplus cash generation before portfolio purchases	A – B	38,188
Portfolio purchases to maintain ERC(6)		24,000
Surplus cash generation to grow business without use of RCF or further debt		14,188

(1) Core Collections are collections on our purchased loan portfolios.

(2) See ''Summary Historical Consolidated Financial Data—Other Financial Data'' for a reconciliation of Adjusted EBITDA to net cash flow from operating activities, profit/(loss) for the period attributable to equity shareholder and Core Collections. For the 12 months ended October 31, 2012, our Adjusted EBITDA ratio, defined as the ratio of Adjusted EBITDA to Core Collections, was 70.2%.

(3) Includes assumed interest on the Notes and commitment fees for our New Revolving Credit Facility.

(4) Represents our operating profit for the 12 months ended October 31, 2012 less normalized interest payments on the Notes multiplied by a corporation tax rate of 24%.

(5) We expect our capital expenditure in 2012 to be unusually large, due to costs related to the PCB. The above illustration represents our typical long-term average capital expenditure costs going forward. See ''Liquidity and Capital Resources—Capital Expenditure.''

(6) Approximate value dependent on phasing and mix of loan portfolios acquired.

We are highly operationally cash generative, with relatively small investment required to maintain our existing asset base and with surplus cash available to grow and reinvest in our business. In the 12 months ended October 31, 2012, the business achieved £59.0 million of Adjusted EBITDA (which we regard as our best measure of cash generation). After the deduction of normalized tax and capital expenditure and the assumed interest payable on the Notes, we would have generated £38.2 million of surplus cash before portfolio purchases in the 12 months ended October 31, 2012. We estimate that approximately £24.0 million is required to maintain a constant 84-Month ERC (which is dependent on mix, collections, the performance of our existing loan portfolios, and the return characteristics of new loan portfolio acquisitions). Net of purchases required to maintain a constant 84-Month ERC, our surplus cash generation amounts to £14.2 million, which can be used to reinvest in our business. Our future results of operations and cash generation may vary significantly from the illustrations shown above.

Recent Developments

Preliminary Financial Results

Our preliminary financial results for the year ended December 31, 2012 indicate that Adjusted EBITDA increased to £61.9 million, compared to £44.3 million for the year ended December 31, 2011. As at December 31, 2012, 84-Month ERC and 120-Month ERC have increased to £464.4 million and £551.3 million, respectively, as compared to £367.3 million and £442.2 million, respectively, as at December 31, 2011. During the year ended December 31, 2012, total revenue increased to £65.8 million from £49.9 million in the year ended December 31, 2011, and operating profit increased to £31.3 million compared to £21.3 million in the year ended December 31, 2011. During the year ended December 31, 2012, net cash flow from operating activities before purchases of purchased loan portfolios increased to £49.2 million compared to £35.0 million for the year ended December 31, 2011, and we acquired debt portfolios with a face value of £946.0 million for a purchase price of £83.9 million. These acquisitions, net of amortization, have increased our purchased loan portfolios to £208.2 million as at December 31, 2012, from £150.0 million as at December 31, 2011.

In December 2012, we entered into an agreement to acquire an entity that holds loan portfolios with a face value of £670.7 million. If this acquisition closes, we expect it to add an additional £35.2 million to 84-Month ERC and £40.1 million to 120-Month ERC.

The following tables sets forth a reconciliation of net cash flow used in operating activities and income from purchased loan portfolios to Adjusted EBITDA for the year ended December 31, 2012.

	Year ended December 31, 2012
Net cash used in operating activities	(35,189)
Purchases of purchased loan portfolios	84,431
Proceeds from disposal of purchased portfolios	(1,137)
Income taxes and overseas taxation paid	3,173
Working capital adjustments(1)	2,406
Profit on disposal of purchased loan portfolios	520
Loss on fair value derivatives	(424)
Amortization of acquisition and bank facility fees	2,323
Foreign exchange losses(2)	451
Interest payable(3)	3,507
Exceptional costs(4)	1,879
Adjusted EBITDA	**61,940**

	Year ended December 31, 2012
Income from purchased loan portfolios	62,261
Amortization of purchased loan portfolios	26,459
Core Collections	**88,270**
Profit on portfolio and loan note sales	520
Other income	1,818
Operating expenses	(34,503)
Depreciation and amortization	835
Foreign exchange losses(2)	348
Amortization of acquisition and bank facility fees	2,323
Exceptional costs(4)	1,879
Adjusted EBITDA	**61,940**

(1) Working capital adjustments include the net movement on debtors and creditors, excluding the Existing Revolving Credit Facility, the shareholders' loan and related accrued interest and corporation tax debtors and creditors.

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

(3) Interest payable includes cash interest on loans and therefore does not include shareholders' loan interest which is payment-in-kind interest.

(4) Exceptional costs include items that, by virtue of their nature, are not considered to be representative of the performance of our business. We believe these amounts should be disclosed separately to assist in the understanding of our liquidity and performance. For the year ended December 31, 2012 these costs include restructuring expenses of £1.8 million and other miscellaneous items.

Our financial statements for the year ended December 31, 2012 have not yet been completed. During the course of our financial statements closing process we could identify items that would require us to make adjustments that could affect the results of operations for this period and the results discussed above. Because these results are preliminary, they could change. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results may differ materially from (and be more negative than) that referenced above. These statements should be read in conjunction with the cautionary statements under ''Forward-Looking Statements'' and ''Risk Factors.''

Factors that Affect Our Results of Operations

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

Loan Portfolio Purchases

Our performance is dependent on our ability to purchase loan portfolios that meet our investment criteria, including the ability to generate returns at or in excess of a certain rate of return. Our loan portfolio purchases are driven by the volume of debt made available for sale by originators and vendors, market competition, our ability to price loan portfolios accurately and our access to financial resources. We typically purchase loan portfolios with a portion of paying accounts that underpin the long foreseeable future cash flows that comprise a large part of our ERC. We are particularly focused on financial services assets, the largest market segment, which account for 85% of our assets by purchase price. Financial services loan portfolios have a higher average balance and more than double the weighted average life of retail and communications loan portfolios and provide a higher proportion of small regular monthly payments.

From January 22, 2009 to October 31, 2012, we invested £225.9 million in the acquisition of 88 purchased loan portfolios with an aggregate face value of £5.6 billion, comprising approximately 3.5 million purchased accounts. As at October 31, 2012, we had an 84-Month ERC of £406.2 million and a 120-Month ERC of £487.8 million.

The table below summarizes our loan portfolio purchasing activity by setting out our key purchasing metrics by vintage beginning with the 15 months ended December 31, 2009, through the ten months ended October 31, 2012. In any period, we purchase loan portfolios that can vary in age, type and ultimate collectability, which explains the year-on-year variation in average prices paid and face value indicated in the table below. We typically purchase more loan portfolios in the fourth quarter compared to each of the first three quarters when debt sellers, and lenders in particular, aim to sell assets before the year end. Over time, the price paid as a percentage of the face value of our loan portfolios has increased as we have directed our loan portfolio purchases towards a higher proportion of paying portfolios. A paying portfolio is a portfolio that consists of more than 85% of accounts that have made payments within the past three months or a payment in two of the last six months. In 2011, our total portfolio purchase cost was impacted by the strategic purchase of another debt purchaser's backbook of paying and non-paying debt. This purchase comprised a mix of various underlying portfolios across different originators and asset classes in the U.K.

	Vintage				
	2009	2010	2011	2012	Total
Portfolio purchases—costs[1] (£ *millions*)	43.4[2]	30.0	110.2	42.3	225.9
Face value (£ *millions*)	1,200.7	1,375.9	2,371.6	680.8	5,629.0
Price paid as % of face value	3.6%	2.2%	4.6%	6.2%	4.0%

(1) Includes a portion of forward flow contacts that were entered into during the relevant period but that may have been funded in subsequent accounting periods.

(2) This amount includes £36.3 million of cash consideration paid during the 15 months ended December 31, 2009 in connection with the purchase by the Group of businesses and assets from Sallie Mae and from RB Investments 1 Limited, representing the cash cost to the Group, excluding portfolio acquisition costs, of these portfolios.

We have also purchased loan portfolios in Portugal from some of the existing debt originators from whom we have purchased U.K. portfolios. We have invested a total of £19.4 million in the acquisition of loan portfolios in Portugal and recovered £32.6 million in Core Collections from January 22, 2009 to October 31, 2012. The table below sets forth our purchased loan portfolios by region as at October 31, 2012.

Country	Number of loan portfolios	Accounts		Face Value		Purchase Price			Average Account Balance	84-Month ERC	
		(thousands)	(%)	(£ millions)	(%)	(£ millions)	(%)	(% of FV)	(£)	(£ millions)	(%)
U.K.	79	3,182.1	92.2%	4,700.0	83.5%	206.5	91.4%	4.4%	1,477.0	360.9	88.9%
Portugal	9	268.3	7.8%	928.0	16.5%	19.4	8.6%	2.1%	3,462.1	45.3	11.1%
Total	**88**	**3,450.4**	**100%**	**5,629.0**	**100%**	**225.9**	**100%**	**4.0%**	**1,631.4**	**406.2**	**100%**

The availability of loan portfolios for purchase each year is driven by (i) the existing inventory of defaulted consumer debt held by originators, (ii) the new generation of non-paying accounts within originators' loan books from continued consumer loan extension and (iii) the propensity of originators to sell defaulted consumer debt in the year. Originators' propensity to sell loan portfolios is driven by their individual debt recovery strategies. The volume of loan portfolios sold each year is also affected by the pricing of loan portfolios as it determines whether it is more economically attractive for an originator to sell the debt or to warehouse it for further in-house or outsourced collections activity. In 2011, as a result of loan portfolio prices stabilizing and increasing capital constraints on banks, the supply of loan portfolios for sale in the financial services sector increased (although it still remained below pre-2008 levels). See ''Industry—Overview of the U.K. Defaulted Debt Sale Market.''

During the loan portfolio acquisition process, we use internally developed models and other data analytics tools to price and bid on loan portfolios. The information we assess is provided to us by third parties or generated from our data assets. If such information is not accurate or we do not have access to it, or our models are incorrect, we could overpay for loan portfolios or we may fail to acquire loan portfolios if our offered price is too low.

Competition with other debt purchasers seeking to purchase the same loan portfolios also affects our ability to purchase loan portfolios. The majority of loan portfolios are currently offered to the market through competitive tender processes and we believe that we are invited to bid in nearly all public auction processes across all addressable sectors. In recent years, we believe that there has been a trend towards the increased concentration of the debt purchase industry around a small core group of purchasers due to the development of certain market dynamics, including the need for debt purchasers to be able to benefit from high quality data assets acquired over an extended period of time, a strong compliance framework and strong relationships with DCAs and debt sellers. However, it is possible that there will be new entrants or companies re-entering the debt purchase market as funding becomes more broadly available and vendors seek to maximize competitive dynamics. We compete primarily on the basis of our industry reputation and our ability to purchase a diverse range of asset classes and debt types, which we believe is enhanced by our ability to apply our sophisticated data analytics as well as by the following strengths:

- *Reputation.* Due to the complexity of the due diligence and compliance process that originators undergo before selling debt to a debt purchaser, we believe that originators prefer to work with companies with strong track records whom they know well, which have sophisticated compliance frameworks and good relationships with regulators. We believe we have one of the lowest rate of complaints referred to the FOS among our competitors. Our senior management team has built strong strategic and operational level relationships with a number of the largest U.K. and European debt originators. We are on the purchasing panels of all the major vendors in our markets. We purchase loan portfolios from 55 originators and over 80% of our loan portfolio purchases in the 12 months ended October 31, 2012 were from clients from whom we had purchased previously. We believe that we have a strong reputation in our industry.
- *Price.* We believe our increased access to information relative to our competitors gives us an advantage in pricing loan portfolio acquisitions as our strength in data analytics and master servicing model enable us to evaluate and competitively price diverse loan portfolios. Our access to a high volume of customer data and our comprehensive suite of account verification and tracing tools, including UniView and the PCB, are critical components in identifying customers and matching accounts to existing customers. We have the capability of matching to approximately 11 million records through the PCB, including approximately 3.5 million purchased accounts in our own database, which we believe is a strong competitive advantage when assessing the risk and appropriate price for a loan portfolio at the time of purchase.
- *In Situ.* Our DCA partners perform collections for many large originators and originators are increasingly selling *in situ* loan portfolios that are already placed with a DCA. We believe we are the largest debt purchaser in the U.K. whose business model is well suited to leaving accounts *in situ*, which we believe gives us an advantage in the bidding process. Our strong relationships with the members of our DCA panel is an important origination tool that give us access to *in situ* loan portfolios already placed with them.

The ability to purchase debt portfolios is also dependent on our internally generated cash resources and our access to financing. From 2008 to 2011, there was a general tightening of credit availability and some of our competitors were unable to secure cost-effective financing to purchase loan portfolios, whereas we were able to secure and increase our existing credit facilities, enabling us to fund additional loan portfolio purchases. Following the completion of the Offering and the application of the proceeds thereof, to supplement cash generated from our operating activities, we will have commitments of £40 million under a New Revolving Credit Facility to service our loan portfolio purchases, working capital needs and for various other purposes. See ''— Liquidity and Capital Resources—Liquidity.''

Collections

Our primary source of cash flow is the proceeds received from customer accounts in our purchased loan portfolios. Using data analytics to determine the most efficient, effective and regulation-compliant collection strategy, we place accounts with members of our panel of over 60 DCAs, of which ten DCAs collected approximately 69% of our Core Collections in the ten months ended October 31, 2012. Each DCA works with customers to develop a payment solution appropriate for a customer's individual circumstances within parameters agreed with us. Certain of our customers pay all or a portion of the balance owed in one settlement payment while most customers pay by entering into long-term repayment plans. For U.K. purchased loan portfolios, approximately 75% of Core Collections are derived from small, regular, annuity-like payment arrangements and the remaining 25% are on settlement arrangements, which can include a discount to the total face value. In the three months ended October 31, 2012, our average customer payment was £24 per month for our U.K. loan portfolios, mostly through regular payment methods such as direct debit. By way of comparison our average customer payment for our Portuguese portfolios for the last three months was £98, reflecting a higher proportion of settlements.

From the year ended December 31, 2010 to the year ended December 31, 2011, we grew our total Core Collections from £25.6 million to £68.2 million, as a result of acquisitions of portfolios and improving our data analytics. For the 12 months ended October 31, 2012, our annual collections on purchased loan portfolios were £84.0 million, driven by purchases during the period and improvements and increases in the volume of our customer account data.

We use our data analytics tools to improve collections over time. For example, we acquired a secondary loan portfolio in 2010 consisting of debt that was charged off between 1998 and 2007. The DCA had performed 24 trace and collect campaigns using standard credit bureau products. The ten most recent campaigns yielded an average of £0.02 million in the six months of each campaign. Once we acquired the portfolio, we applied our data analytics tools and increased by 3.6 times the average amount of collections achieved in the first six months. Additionally, in 2011, we acquired through a secondary sale a loan portfolio that was managed by another master servicer. We recalled the non-paying accounts, applied our data analytics tools and placement strategies, leading to an average increase in monthly Core Collections of more than £0.2 million per month.

Our forecasted collections are partially dependent on historical collection experience. We forecast collections using our ERC forecasting model. The ERC model uses logistic regression to forecast account-level liquidation for a 12-month period. At the end of the 12-month period, we apply cohort decay rates to determine the future curve shape. As a result, such forecasts may not adequately reflect current or future circumstances. However, we have historically achieved strong collections performance against collections forecast used for the computation of ERC. For the ten months ended October 31, 2012, collections for 91% of our total loan portfolios by purchase price owned as at January 1, 2012 were higher than our forecast. Of our loan portfolios owned as at January 1, 2012, 62% experienced a positive forecast deviation of less than 15%.

We place accounts with carefully selected specialist external DCAs that we actively manage and audit. After placing an account with a DCA, we monitor the account's performance. We interface monthly with the DCA to share transaction details and to update them with any applicable data enhancements. The DCAs remit cash to us on at least a weekly basis. We pay DCAs a contingent fee based on the amount of debt they are able to collect monthly in arrears. See ''Business—U.K. Operations, Product and Service Offerings—Account Placement.''

The amount a particular customer pays generally varies depending on the portion of such customer's disposable income available to service defaulted debts. We believe that in more difficult economic times, customers have less ability to repay their outstanding balances over a shorter period of time, resulting in lower average monthly installments with greater duration and fewer one-off settlements. Our collections performance is therefore assisted by the quality of the data that we can build about a customer.

We believe that our business benefits from the following factors:

- *Predictable and diversified collection base.* Our cash flows are primarily driven by small regular payments from approximately 266,000 currently paying, unique customers and our existing loan portfolio yielded collections of £8.1 million in October 2012. Since January 2010, 74% of our cash flows have come from regular repayment plans, demonstrating significant stability. For the three months ended October 31, 2012, the face value of currently paying debt was £745 million. This represents 1.8 times our 84-Month ERC as at October 31, 2012.
- *Sophisticated data assets and analytics capabilities.* We have built our databases and system processes around the creation of a single customer profile. We believe as the first debt purchaser to focus on a single customer view and given our data assets, we have the most refined analytical capabilities in our industry in ascertaining a customer's propensity to pay. In addition, we have developed and improved our pre-purchase matching capability through our data assets and the PCB. We have increased the size of our data asset significantly, our monthly import of trace data has increased from 7 million records per month in 2010 to 60 million per month in 2012. The trace data includes names, address and contact information. Our monthly import of employment and home ownership records has increased from 3.8 million per month in 2010 to 15 million per month in 2012. We have also imported 3 million new telephone numbers in the last 12 months. These increases have improved our value-based segmentation, enabling us to better predict the value of each account and better predict which DCA is best placed to service that account, thereby increasing successful collection rates.
- *Tailored collection strategy driven by our value-based segmentation.* We analyze our portfolios and design our collection strategy individually at the account level through a value-based segmentation whereby we assign a value (high, medium or low) in line with our expectations of the collectible value of the account over the next six months. Over time, we have significantly improved our ability to identify high value accounts within our purchased loan portfolios, which are the main driver of our collection performance. For the ten months ended October 31, 2012, 63% of our Core Collections was generated from high value accounts which compares with 29% in the ten months ended October 31, 2011. We believe that our ability to identify high value accounts will lead to increased collections at lower Collection Activity Costs.

Revenue Recognition

As described in Note 3 to our Consolidated Financial Statements included elsewhere in this Offering Memorandum, purchased loan portfolios are accounted for and recorded on the balance sheet at amortized cost using the EIR method. During each accounting period the EIR of each purchased loan portfolio is used to calculate the income from purchased loan portfolios for the period. Core Collections in excess of the calculated revenue are recognized as amortization of the purchased loan portfolio carrying value.

The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased loan portfolio. The EIR is determined at the time of purchase of the loan portfolio and then adjusted after 12 months although this adjustment has historically not resulted in any material impact on income from purchased loan portfolios.

The table below outlines an illustrative example of portfolio revenue recognition and change in portfolio carrying value under the EIR methodology.

Illustrative Example of IFRS EIR Methodology Monthly Accounting
(£ millions, except as otherwise indicated)

Purchases of purchased loan portfolio[1]	100
Purchased loan portfolio at the beginning of the month[2]	**100**
Estimated Gross IRR (84 months)[3]	51.70%
Effective Interest Rate (EIR)[4]	51.70%
Income from purchased loan portfolios[5]	**3.5**
Core Collections[6]	5.1
Amortization of purchased loan portfolios[7]	(1.6)
Purchased loan portfolio at the end of the month[8]	**98.4**

(1) Assumed as at the beginning of the month.

(2) Portfolios are recorded at acquisition cost.

(3) Gross cash receipts estimate equivalent to 2.3 times cash multiple over 84 months.

(4) Equivalent to 84-month Gross IRR.

(5) Computed as $((1+EIR)^{1/12}-1)$ multiplied by purchased loan portfolio at the beginning of the month.

(6) As actually experienced in the month.

(7) Difference between Core Collections and income from purchased loan portfolios recognized.

(8) Opening value netted by amortization recognized in the month.

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where loan portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a loan portfolio basis adjustment is recorded as an increase in the carrying value of the loan portfolio. Any subsequent reduction in forecast loan portfolio collections is recorded as a decrease in the carrying value of the loan portfolio. Such increases and decreases in the carrying value of purchased loan portfolios are recorded in the line item ''Portfolio write-up'' within ''Total revenue.'' Historically we have recognized write-ups reflecting the increased cash that we expect to collect from our portfolio assets.

Income from assets under management on our managed services contracts is recognized when collections are reasonably assured and can be measured reliably. The right to receive such revenue is measured in reference to services rendered based on the stage of completion, regardless of milestone payments received.

We also recognize interest income from secured loan notes. Interest income is recognized throughout the year on an accruals basis.

The following table sets forth a reconciliation of Core Collections to total revenue. Income from purchased loan portfolios is total revenue excluding portfolio write-up, profit/(loss) on portfolio and loan note sales, and other income. Historically, income from purchased loan portfolios has varied between 65.2% and 70.3% of Core Collections.

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	2010	2011	2011	2012	2012
	(£ thousands, except as specified)					
Core Collections[1]	22,498	25,646	68,248	57,049	72,804	84,003
Income from discontinued operations	(437)	—	—	—	—	—
Amortization of purchased loan portfolios	(7,836)	(7,684)	(20,755)	(18,100)	(22,303)	(24,958)
Income from purchased loan portfolios	**14,225**	**17,962**	**47,493**	**38,949**	**50,501**	**59,045**
Portfolio write-up	1,448	5	816	816	856	856
Profit/(loss) on portfolio and loan note sales	204	1,632	(25)	(406)	318	699
Other income	1,055	441	1,602	427	1,597	2,772
Total Revenue	**16,932**	**20,040**	**49,886**	**39,786**	**53,272**	**63,372**
Income from purchased loan portfolios as a % of Core Collections	65.2%	70.0%	69.6%	68.3%	69.4%	70.3%

(1) Core Collections are collections on our purchased loan portfolios.

Collection Activity Costs and Operational Efficiency

Operational efficiency is key to our business model. We use our extensive data assets and analytics capabilities, including the PCB and our value-based segmentation, to place customer accounts with DCAs best suited to service that type of debt. We continuously update DCAs with any data enhancements on an ongoing basis, thereby optimizing servicing efficiency and increasing collections over the lifetime of the debt.

We operate a very flexible cost model with 70% of our cost base being variable. Our fixed costs are limited almost entirely to office accommodation, staff, data platform, compliance and IT infrastructure expenses, providing us with scalability at a low incremental overhead. Fixed costs as a percentage of

Core Collections has decreased year on year. Because they are primarily driven by collections in a certain period, Collection Activity Costs in a period are largely variable and mainly comprise fees to our DCA network. Commission costs paid to the DCAs are fixed at the point of placement and are fully contingent on collections. Prior to placement, we apply our value-based segmentation, which determines the relative value of a placement and is the basis for commission rates. The DCAs have confidence in the quality of our data and collections forecasts and therefore have historically accepted lower percentage contingent fees on the basis that their collection profitability has not been reduced. This has contributed to the reduction of our Collection Activity Costs to 22 pence per £1 collected. Collection Activity Costs also include internal costs such as in-house customer service costs, trace fees as well as legal disbursements. Legal disbursements can result in court orders thus enhancing the future cash flows from our purchased loan portfolios.

Collection Activity Costs have increased year-on-year as they are driven by Core Collections. However, our Collection Cost Ratio decreased from 29.1% for the 15 months ended December 31, 2009 to 21.7% for the ten months ended October 31, 2012 as set forth in the table below.

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	**2010**	**2011**	**2011**	**2012**	**2012**
		(£ thousands, except as specified)				
Core Collections[(1)]	22,498	25,646	68,248	57,049	72,804	84,003
Collection Activity Costs[(2)]	6,537	6,902	18,152	15,237	15,797	18,712
Collection Cost Ratio[(3)]	29.1%	26.9%	26.6%	26.7%	21.7%	22.3%

(1) Core Collections are collections on our purchased loan portfolios.

(2) Collection Activity Costs represent the direct costs of external collections related to our purchased loan portfolios such as commissions paid to third party outsourced providers, credit bureau data costs, legal costs associated with collections and costs related to the in-house customer service team.

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

We believe that recent trends in our Collection Cost Ratio have been driven by (a) significant improvements in our operational efficiency as a result of our value-based segmentation methodology, (b) improved terms from our DCA partners who have gained confidence in our data analytics and collections forecasts and (c) changes in the volume and mix of debt purchased.

Seasonality

Collections are affected by seasonal factors, including the number of work days in a given month, the propensity of debtors to take holidays at particular times of the year and annual cycles in disposable income. We typically purchase more loan portfolios in terms of purchase price in the fourth quarter compared to each of the first three quarters when debt sellers, and lenders in particular, aim to sell assets before the year end. For example, in December 2011, we acquired a loan portfolio for £39.3 million as compared to total loan portfolio purchases of £109.7 million in the year ended December 31, 2011. We have experienced similar trends in the year ended December 31, 2012, see ''—Recent Developments.''

Regulatory Considerations

Our results of operations are affected by a number of laws and regulations in the jurisdictions where we operate. The regulatory environment for debt collection in the United Kingdom requires considerable investment in processes, know-how and management. See ''Risk Factors—Risks Related to Our Business—Any failure to comply with applicable legislation or regulation of the debt purchase and the broader consumer credit industry could result in the suspension, termination or impairment of our ability to conduct business'' and ''Regulation and Compliance.'' Further, any changes in the laws and regulations in the jurisdictions in which we operate could constrain our ability to operate. See ''Risk Factors—Risks Related to Our Business—Changes to the regulatory environment in the U.K. or Portugal or an increasing volume of legislation may materially and adversely affect our industry and impede our business.'' We have invested, and intend to continue to invest, in a significant amount of financial and technical resources in order to achieve and maintain compliance with these requirements. See ''Business—Risk Framework.''

Factors that Affect Our Interim Results of Operations

Certain items in our consolidated statement of comprehensive income, such as total revenue, operating profit, profit/(loss) before tax and profit/(loss) for the period attributable to equity shareholders, can be impacted, positively or negatively, by short-term, non-cash movements in the carrying value of loan portfolios. Movements in these items may not be reflective of their long-term trends. In addition, these items may be impacted by the timing of our purchase of loan portfolios. This is due to the fact that, when determining the carrying value of loan portfolios at each date, the carrying value will not generally be updated until sufficient collection experience and other data and analysis are obtained to provide evidence of a change in the profile and amount of expected cash receipts, 12 months from the date of purchase. Until such a time, the expected cash flow is generally the cash flow forecast determined by us at the point of purchase. Subsequently, our loan portfolio model projects expected future Core Collections based on the Core Collections achieved to date. As a result, changes in the carrying value of loan portfolios for which actual cash flows perform differently from the expected cash flows at the time of our purchase of loan portfolios can impact the items in our consolidated profit and loss account to a different degree in each period. These factors can affect comparability between short measurement periods disproportionately because movements in the carrying value of our loan portfolios are adjusted against a smaller income base in shorter periods. See ''—Critical Accounting Policies.''

Purchased Loan Portfolios, Return on Purchased Loan Portfolios and Adjusted EBITDA

Historically, we have experienced significant growth in our purchased loan portfolios and Adjusted EBITDA, which we believe is the result of (i) the growing volume of loan portfolios we have been able to purchase, (ii) our pricing discipline, (iii) our cost model and (iv) the sophistication of our data analytics and account placement operations.

Purchased Loan Portfolios

The following table sets forth our 84-Month ERC and 120-Month ERC on purchased loan portfolios by vintage as at October 31, 2012.

Vintage[(1)]	0–12 months	13–24 months	25–36 months	37–48 months	49–60 months	61–72 months	73–84 months	84-Month ERC	120-Month ERC[(2)]
					(£ millions)				
Pre-2009	8.5	7.6	6.8	5.9	5.1	4.5	3.9	42.3	51.3
2009	3.0	2.8	2.5	2.2	1.9	1.7	1.5	15.6	19.1
2010	13.5	11.4	9.6	8.0	6.7	5.6	4.7	59.5	69.9
2011	43.0	38.2	33.3	28.7	24.7	21.6	18.9	208.4	252.4
Ten months ended October 31, 2012	16.8	15.3	13.3	11.2	9.3	7.9	6.6	80.4	95.1
Total	**84.8**	**75.3**	**65.5**	**56.0**	**47.7**	**41.3**	**35.6**	**406.2**	**487.8**

(1) Amounts for each vintage include a portion of forward flow contracts that were entered into during the relevant period but that may have been funded in subsequent accounting periods.

(2) The ERC for the 84-96 month, 96-108 month and 108-120 month periods is, respectively, £31 million, £27 million and £24 million.

A large proportion of our ERC is expected to be generated by loan portfolios acquired in 2011, which was a particularly strong year of loan portfolio purchases driven by (i) the large amount of debt sold by creditors, (ii) our access to sources of funding and (iii) our ability to secure loan portfolios on which we believe we can achieve attractive returns in line with our risk appetite.

For a description of our loan portfolio valuation methods, see ''—Critical Accounting Estimates and Policies—Revenue Recognition.''

ERC means our estimated remaining collections on purchased loan portfolios over an 84-month or 120-month period, which represent the expected future Core Collections on purchased loan portfolios over the 84-month or 120-month period (calculated at the end of each month, based on our proprietary revaluation model, as amended from time to time). We do not deduct future Collection Activity Costs in calculating ERC. ERC is calculated as at a point in time assuming no additional purchases are made thereafter. These expectations are based on historical data as well as assumptions about future collection rates. We cannot guarantee that we will achieve such collections within the specified times discussed or at all. See ''Presentation of Financial and Other Information—Other Financial Information.''

We do not use our portfolio valuation model to calculate ERC for our portfolios in Portugal as this is calculated using account level forecasts provided by our DCAs.

ERC is a metric that is also often used by other companies in our industry but it may be calculated differently by different companies. We present ERC because it represents an estimate of the undiscounted cash value of our purchased loan portfolios at any point in time, which is an important supplemental measure for our management to assess our performance, and underscores the cash generation capacity of the assets backing our business. We use 120-Month ERC in addition to 84-Month ERC to reflect the longer-term value of our Core Collections because of the high proportion of financial services assets in our purchased loan portfolios, which have higher average account balances, combined with our large proportion of paying accounts. In addition, both the terms of our New Revolving Credit Facility and the Notes use 84-Month ERC to test our compliance with certain covenants and, in certain circumstances, our ability to incur indebtedness.

We have experienced significant growth in our purchased loan portfolios. From December 31, 2009 to October 31, 2012, 84-Month ERC on owned loan portfolios grew from £91.2 million to £406.2 million and 120-Month ERC grew from £109.4 million to £487.8 million, primarily as a result of loan portfolio purchases and improvements in our data analytics that led to higher ERC.

	As at December 31,			As at October 31,(1)
	2009	2010	2011	2012
		(£ millions)		
84-Month ERC	91.2	161.8	367.3	406.2
120-Month ERC	109.4	191.7	442.2	487.8

(1) As at October 31, 2012, our 84-month ERC on our U.K. and Portugal purchased loan portfolios was £360.9 million and £45.3 million, respectively, and our 120-Month ERC was £435.3 million and £52.5 million, respectively, as at the same date.

The table below summarizes our total loan portfolio by breaking down our 84-Month ERC and 120-Month by asset class as at October 31, 2012.

Asset class	0-12 months	13-24 months	25-36 months	37-48 months	49-60 months	61-72 months	73-84 months	84-Month ERC	120-Month ERC
					(£ millions)				
Financial services	72.6	65.4	57.4	49.1	41.9	36.3	31.4	354.1	426.0
Retail	9.6	7.9	6.6	5.7	4.9	4.3	3.7	42.7	51.4
Telecommunications	2.6	2.0	1.5	1.2	0.9	0.7	0.5	9.4	10.4
Total	**84.8**	**75.3**	**65.5**	**56.0**	**47.7**	**41.3**	**35.6**	**406.2**	**487.8**

87% of our 84-Month ERC consists of loan portfolios in the financial services sector. The average account balance of our financial services loan portfolios, our retail loan portfolios and our telecommunications loan portfolios are £3,310, £452 and £329, respectively. Our financial services loan portfolios have more than double the weighted average life of our retail and telecommunications loan portfolios due to their higher average individual account balance and the resulting high proportion of small long-term regular monthly payments that we receive. Consequently, at equivalent target Unlevered Net IRR, financial services loan portfolios tend to produce a higher expected Cash-on-Cash Multiple.

For the three months ended October 31, 2012, we had face value of currently paying debt of £745 million which included approximately 266,000 accounts that have paid us during the prior three months. This represents 1.8 times our 84-Month ERC in the same period. The average monthly payment of our accounts was £27; thus we expect to generate cash from collections on our loan portfolios beyond 84 months. As at October 31, 2012, 120-Month ERC was £487.8 million. 120-Month ERC is calculated on the same basis as 84-Month ERC, but extends the period of time measured by our proprietary model from 84 months to 120 months. As with 84-Month ERC, 120-Month ERC is only a projection, calculated by our proprietary analytical models, which utilizes historical and current loan portfolio collection performance data, trends and assumptions about future collection rates, and we cannot guarantee that we will achieve such collections within the specified time periods, or at all.

Returns on Purchased Loan Portfolio

While returns achieved on an individual loan portfolio can vary, we have a consistent record of unlevered returns on our aggregate purchased loan portfolios. The following table sets forth certain data related to our purchased loan portfolios by asset class, such as purchase price, collections and related gross returns as at October 31, 2012.

Asset type	Purchase Price	Collections to Date[(1)]	84-Month ERC	Total Estimated Collections[(2)]	Cash-on-Cash Multiple[(3)]	Unlevered Net IRR[(4)]
		(£ millions, except % and multiples)				
Financial services	192.3	156.9	354.0	510.9	2.7	28.1%
Retail	26.5	24.0	42.8	66.8	2.5	31.8%
Telecommunications	7.1	11.8	9.4	21.2	3.0	52.0%
Total	**225.9**	**192.7**	**406.2**	**598.9**	**2.7**	**29.1%**

(1) Collections to Date includes Core Collections plus putbacks (portions of portfolios re-assigned to the debt originator) plus disposal proceeds on portfolio account sales.

(2) Total estimated collections represents Core Collections to date plus 84-Month ERC, meaning Core Collections to October 31, 2012, plus forecasted collections for the following 84 months after October 31, 2012.

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

(4) Unlevered Net IRR represents the estimated Unlevered Net IRR of our loan portfolios purchased in the period. Unlevered Net IRR is calculated using expected Net Core Collections for the next 84 months subsequent to the date of purchase of the loan portfolio adjusted regularly in line with ERC. See ''Presentation of Financial and Other Information—Other Financial Information'' and ''Use of Terms.''

The following table shows certain data related to our purchased loan portfolios by vintage, such as purchase price, collections and related gross returns as at October 31, 2012. Our existing purchased loan portfolios have demonstrated a strong track record of collections as our Collections to Date have already exceeded our initial investment for all vintages up to 2010. This track record is further supported by our total expected returns of 2.7 times Cash-on-Cash Multiple based on a total estimated collections. In addition, our Unlevered Net IRR as at October 31, 2012 was 29.1%. The trends in our Unlevered Net IRR between vintages are primarily driven by (i) the change in mix of portfolios acquired (for example, in the year ended December 31, 2011 and the ten months ended October 31, 2012, we acquired a greater proportion of paying loan portfolios that are inherently less risky and therefore attract lower returns) and (ii) the impact over time of our data analytics capabilities and our operations on more seasoned portfolios. In addition, for the Cash-on-Cash Multiple as portfolios mature, the incorporation of Core Collections to date in addition to the 84-Month ERC increases the return.

Vintage	Purchase Price[(1)]	Collections to Date[(2)]	84-Month ERC	Total Estimated Collections[(3)]	Cash-on-Cash Multiple[(4)]	Unlevered Net IRR[(5)]
		(£ millions, except % and multiples)				
Pre-2009	36.9[(6)]	53.8[(7)]	42.3	96.1	2.6	20.6%
2009	5.0	6.9	9.9	16.8	3.4	30.4%
2010	21.2	22.4	36.8	59.2	2.8	28.6%
2011	105.9	68.6	202.2	270.8	2.6	30.3%
Ten months ended October 31, 2012	37.6	8.4	69.8	78.2	2.1	23.7%
Total U.K.[(8)]	206.6	160.1	360.9	521.0	2.5	27.1%
Total Portugal[(9)]	19.3	32.6	45.3	77.9	4.0	55.6%
Total	**225.9**	**192.7**	**406.2**	**598.9**	**2.7**	**29.1%**

(1) Purchase price represents the aggregate amount paid for all loan portfolio purchases in a particular period and includes a portion of forward flow contracts that were entered into during the relevant period, but that may have been funded in subsequent accounting periods.

(2) Collections to Date includes Core Collections plus putbacks (portions of portfolios re-assigned to the debt originator) plus disposal proceeds on portfolio account sales.

(3) Total estimated collections represents Collections to Date plus 84-Month ERC, meaning Core Collections to October 31, 2012, plus forecasted collections for the following 84 months after October 31, 2012.

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

(5) Unlevered Net IRR represents the estimated Unlevered Net IRR of our loan portfolios purchased in the period. Unlevered Net IRR is calculated using expected Net Core Collections for the next 84 months subsequent to the date of purchase of the loan portfolio adjusted regularly in line with ERC. See ''Presentation of Financial and Other Information—Other Financial Information'' and ''Use of Terms.''

(6) This amount includes £36.3 million of cash consideration paid during the 15 months ended December 31, 2009 in connection with the purchase by the Group of businesses and assets from Sallie Mae and from RB Investments 1 Limited, representing the cash cost to the Group, excluding portfolio acquisition costs, of these portfolios.

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

(8) Includes data related to our purchased loan portfolios in the U.K. in the aggregate as at October 31, 2012.

(9) Includes data related to our purchased loan portfolios in Portugal in the aggregate as at October 31, 2012.

Operating Cash Flow Generation before Purchases of Purchased Loan Portfolios

We are highly operationally cash generative, before purchases of purchased loan portfolios, and converted 70% of our Core Collections to Adjusted EBITDA in the ten months ended October 31, 2012. We have achieved this by using our sophisticated data analytics tools and value-based segmentation to determine the most appropriate DCA to collect on a particular account. We believe over time, our DCA panel members have learned to trust and rely on the quality of our data analytics and thus we are able to agree commission rates based on our forecast of individual accounts' liquidation. This has contributed to the reduction of our Collection Activity Costs to 22 pence per £1 collected. Collection activity costs also include internal costs such as in-house customer service costs, trace fees as well as legal disbursements. Legal disbursements can result in court orders thus enhancing the future cash flows from our purchased loan portfolios.

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

For supplemental purposes, we have also included a reconciliation of profit/(loss) for the period attributable to equity shareholders to Adjusted EBITDA. In this regard, Adjusted EBITDA represents profit/(loss) for the period attributable to equity shareholders adjusted to exclude the effects of loss for the period from discontinued operations, interest expense, taxation charge on ordinary activities, profit recognised on acquisition of subsidiary, portfolio amortization, portfolio write-up, depreciation and amortization, foreign exchange (gains)/losses, amortization of acquisition and bank facility fees and exceptional costs. Additionally, for supplemental purposes we have also included a reconciliation of ''Core Collections,'' an IFRS measure, to Adjusted EBITDA. We include this supplemental reconciliation because we consider the conversion of Core Collections to Adjusted EBITDA to be a key driver of our performance and key to understanding our liquidity. In this regard, Adjusted EBITDA represents Core Collections, which include income from purchased loan portfolios adding back portfolio amortization, and excluding the effects of profit/(loss) on portfolio and loan note sales, discontinued operations, other income, operating expenses, depreciation and amortization, foreign exchange (gains)/losses, amortization of acquisition and bank facility fees and exceptional costs. See ''Presentation of Financial and Other Information.''

Adjusted EBITDA is not a measure determined in accordance with IFRS and our use of the term Adjusted EBITDA may vary from others in our industry. See ''Presentation of Financial and Other Information—Other Financial Information.''

Adjusted EBITDA should not be considered as an alternative to net cash flow from operating activities, Core Collections, profit/(loss) for the period attributable to equity shareholders or any other performance measures determined in accordance with IFRS.

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

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	2010	2011	2011	2012	2012
	(£ thousands)					
Net cash flow from operating activities[1]	6,139	(15,544)	(74,701)	(39,086)	(5,346)	(40,961)
Purchases of purchased loan portfolios	5,768	29,613	109,744	65,842	45,695	89,597
Proceeds from disposal of purchased portfolios	—	(1,965)	(1,795)	(268)	(694)	(2,221)
Income taxes and overseas taxation paid	—	—	—	—	3,173	3,173
Working capital adjustments[2]	(273)	(31)	3,518	4,680	1,087	(75)
Profit/(loss) on disposal of purchased loan portfolios	—	1,461	(25)	(406)	318	699
Discontinued Operations[8]	379	—	—	—	—	—
Loss/(gain) on fair value derivatives	(693)	320	489	502	(556)	(569)
Amortization of acquisition and bank facility fees	58	60	187	110	1,931	2,008
Foreign exchange (gains)/ losses[7]	(13)	(114)	29	(684)	579	1,292
Interest payable[3]	95	32	3,997	3,641	3,177	3,533
Exceptional items[4]	—	—	2,871	2,230	1,842	2,483
Adjusted EBITDA	**11,460**	**13,832**	**44,314**	**36,561**	**51,206**	**58,959**

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	2010	2011	2011	2012	2012
	(£ thousands)					
Profit/(loss) for the period attributable to equity shareholders	1,307	(2,054)	4,203	3,137	6,643	7,709
Loss for the period from discontinued operations	379	—	—	—	—	—
Interest expense[5]	6,434	7,882	15,132	12,459	15,708	18,381
Taxation charge on ordinary activities	—	45	2,006	1,672	2,565	2,899
Profit recognized on acquisition of subsidiary	(3,188)	—	—	—	—	—
Operating profit	**4,932**	**5,873**	**21,341**	**17,268**	**24,916**	**28,989**
Portfolio amortization[6]	7,836	7,684	20,755	18,100	22,303	24,958
Portfolio write-up	(1,448)	(5)	(816)	(816)	(856)	(856)
Depreciation and amortization	95	244	283	232	641	692
Foreign exchange (gains)/ losses[7]	(13)	(24)	(307)	(563)	429	685
Amortization of acquisition and bank facility fees	58	60	187	110	1,931	2,008
Exceptional costs[4]	—	—	2,871	2,230	1,842	2,483
Adjusted EBITDA	**11,460**	**13,832**	**44,314**	**36,561**	**51,206**	**58,959**

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,		12 months ended October 31,
	2009	2010	2011	2011	2012	2012
	(£ thousands)					
Income from purchased loan portfolios	14,225	17,962	47,493	38,949	50,501	59,045
Discontinued operations[(8)]	437	—	—	—	—	—
Portfolio amortization	7,836	7,684	20,755	18,100	22,303	24,958
Core Collections	**22,498**	**25,646**	**68,248**	**57,049**	**72,804**	**84,003**
Profit/(loss) on portfolio and loan note sales	204	1,632	(25)	(406)	318	699
Discontinued operations[(8)]	(437)	—	—	—	—	—
Other income	1,055	441	1,602	427	1,597	2,772
Operating expenses	(12,000)	(14,167)	(28,545)	(22,518)	(28,356)	(34,383)
Depreciation and amortization	95	244	283	232	641	692
Foreign exchange (gains)/ losses[(7)]	(13)	(24)	(307)	(563)	429	685
Amortization of acquisition and bank facility fees	58	60	187	110	1,931	2,008
Exceptional costs[(4)]	—	—	2,871	2,230	1,842	2,483
Adjusted EBITDA	**11,460**	**13,832**	**44,314**	**36,561**	**51,206**	**58,959**

(1) As re-presented. See discussion of change in presentation of net cash flows from operating activities and net cash flows from investing activities within ''Summary Historical Consolidated Financial Information.''

(2) Working capital adjustments include the net movement on debtors and creditors, excluding the Existing Revolving Credit Facility, the shareholder loan and related accrued interest and corporation tax debtors and creditors.

(3) Interest payable includes cash interest on loans and therefore does not include shareholder loan interest that is payment-in-kind interest.

(4) Exceptional items include items that, by virtue of their nature, are not considered to be representative of the performance of our business. We believe these amounts should be disclosed separately to assist in the understanding of our liquidity and performance. For the year ended December 31, 2011 these costs include legal-related expenses of £1.9 million, restructuring expenses of £0.9 million, and other miscellaneous items. For the ten months ended October 31, 2011 these costs include legal-related expenses of £1.9 million, restructuring expenses of £0.2 million, and other miscellaneous items. For the ten months ended October 31, 2012 these costs include restructuring expenses of £1.8 million and other miscellaneous items.

(5) Interest expense includes shareholder interest expense, interest on bank loans, interest on non-controlling interest loans, and the fair value movement on interest rate swaps.

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

(7) Foreign exchange includes costs related to the retranslation of euro-denominated loan portfolios.

(8) Discontinued operations relates to the disposal of our interest in the assets of Strzala Sp. z o.o. during the 15 months ended December 31, 2009.

Comparability of Accounting Standards

Some of our key competitors prepare financial statements in accordance with U.K. GAAP. IFRS differs in certain significant respects from U.K. GAAP. We have not prepared financial statements in accordance with nor have we reconciled our Financial Statements to U.K. GAAP. Therefore we are unable to identify or quantify all of the differences that may impact our reported profits, financial position or cash flows were they to be reported under U.K. GAAP.

Additionally, some of our key competitors apply the FVTPL methodology to purchased loan portfolios which is available under both U.K. GAAP and IFRS to record the carrying value of purchased loan portfolios. We prepare our Financial Statements in accordance with IFRS and apply the amortized cost method (or the ''effective interest'' method). The amortized cost method includes the determination of an EIR when a purchased loan portfolio is acquired, see ''—Critical Accounting Policies and Estimates''. By contrast, the FVTPL method requires the discount factor applied to future net cash flows generated by purchased loan portfolios, in order to determine fair value, to be updated at each reporting date to reflect market factors. Based on a 15% discount rate, which we believe is the discount rate often applied by peers reporting under the FVTPL method, and applying a Collection Cost Ratio of 23% to our ERC, the carrying value of our purchased loan portfolios using the FVTPL method would be higher. In addition, under the FVTPL method, the value of purchased loan portfolios is recorded at purchase cost at the date of purchase and revalued at fair value 12 months after purchase which we believe generally results in an early recognition of revenue through a portfolio write-up flowing through the income statement. We believe that the differences in methodologies make it difficult to compare our financial performance under IFRS with that of similar companies in our sector who prepare their financial statements using the FVTPL method. In particular, we believe operating profit, EBITDA and the balance sheet carrying value of portfolios (or equivalent measures) are difficult to compare. We tend to focus on Adjusted EBITDA and ERC, which, although not necessarily computed on an identical basis between us and similar companies in our sector and although these are non-IFRS and non-U.K. GAAP measures, we believe are more comparable between us and similar companies in our sector than similar IFRS or U.K. GAAP measures.

Description of Principal Balance Sheet Items

Purchased loan portfolios

Purchased loan portfolios are financial instruments to which IAS 39 applies. Purchased loan portfolios are classified as ''loans and receivables'' and are measured at amortized cost using the effective interest method. The difference between the actual cash collected and the calculated portfolio revenue represents the amortization of the purchased loan portfolio balance during the period. Under the effective interest rate method, we periodically review our estimated cash flows on purchased loan portfolios for any changes that would indicate impairment. Where loan portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the loan portfolio. If the forecast loan portfolio collections exceed initial estimates, an adjustment is recorded to increase the carrying value of the loan portfolio. In accordance with IAS 39, we recognize any change in carrying value in the Statement of Comprehensive Income in the line item ''Portfolio write-up.'' See ''—Critical Accounting Policies—Revenue Recognition.''

Description of Principal Items in the Statement of Comprehensive Income

Income from purchased loan portfolios

We recognize revenue from purchased loan portfolios in accordance with IAS 39 using the effective interest method. The effective interest rate (''**EIR**'') is defined as the loan portfolio's gross internal rate of return (''**Gross IRR**'') based on the loan portfolio purchase price and forecast 84-Month ERC as at the date of purchase. The EIR is reassessed and adjusted up to 12 months after the purchase of each loan portfolio to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on income from purchased loan portfolios. The EIR is determined with respect to each portfolio acquired based on the factors described above.

Loan portfolio revenue is calculated by multiplying the carrying value of each loan portfolio as at the beginning of the period by the EIR. Should the actual cash collections exactly match the initial forecast, the portfolio would be fully amortized (i.e. carrying value written down to zero) after 84 months and remaining collections recognized as received.

Portfolio write-up

Portfolio value adjustments arise at the end of each financial reporting period, when the carrying values of the loan portfolios are assessed with reference to the latest 84-Month ERC discounted at the EIR, or when impairments are recorded. Each loan portfolio is assessed separately, with the net gain/(loss) of all loan portfolios reflected in the Statement of Comprehensive Income for each period. Such adjustments are presented in the line item ''Portfolio write-up'' in the Statement of Comprehensive Income. The carrying value of our purchased loan portfolios is assessed with reference to the latest 84-Month ERC.

(Loss)/profit on portfolio and loan note sales

Loss or profit on portfolio and loan note sales represents the results of our loan portfolio and loan note sales, including the income on legacy funding loans that were made prior to our acquisition in 2009 by the RBS Special Opportunities Fund. These loans have been repaid or sold as of December 31, 2011. Loss or profit on portfolio and loan note sales also includes the sale of some of our individual voluntary arrangements accounts, which are accounts that have been voluntarily placed by customers in a legally binding formal repayment arrangement.

Other income

Our other income comprises:

- *Interest income and profit on disposal of secured loan notes.* Interest income and profit on disposal of secured loan notes represents income received in connection with our secured loan notes; and
- *Income from asset management.* Income from asset management represents fees and expected income from managed service contracts. The level of income over the life of the contract is forecast and a portion is recognized when collections are reasonably assured and can be measured reliably. A portion of this income is therefore based on our forecasted collections and actual performance may differ.

Operating expenses

Our operating expenses comprise:

- *Collection Activity Costs.* Our Collection Activity Costs represent the direct costs of external collections related to our loan portfolios such as commissions paid to third party outsourced providers, credit bureau data costs, legal costs associated with collections and the cost of collection letters. The greatest component of our Collection Activity Costs is the contingent fee paid to DCAs proportionate to the amount of cash collected;
- *Professional fees and services.* Our professional fees and services represent third party services such as audit and non-audit fees from our independent auditors, Company secretarial and legal and outsourced payroll services; and
- *Other expenses.* Our other expenses consist primarily of employee salaries, other staff costs and IT expenses, among others.

Interest expense

Our interest expense comprises:

- *Shareholder interest expense.* Shareholder interest expense represents payments related to our shareholders' loan; and
- *Finance costs.* Finance costs represents payments related to our Existing Revolving Credit Facility, non-controlling interest loans and the fair value movement on interest rate swaps.

Taxation charge on ordinary activities

We have entities in Guernsey, the U.K. and Poland. The entities incorporated in Guernsey, including Arrow Global Guernsey Holdings Limited, are taxed at 0%. Corporation tax is payable in respect of our entities incorporated in the U.K. and Poland; our U.K. operations generate the majority of taxable income as we divested our Polish assets in 2009. The analysis in our Financial Statements contained elsewhere in this Offering Memorandum therefore use the U.K. corporate statutory tax rate prevailing in the accounting period in question. Current tax, including U.K. corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the end of the reporting period. Our deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12 *Income Taxes*. The value of recognized deferred tax assets is reviewed at the end of each reporting period and recognized to the extent that it is probable that based upon available evidence, both positive and negative, sufficient taxable profits will be available to allow the asset to be recovered. If it is probable that some portion of these assets will not be realized, then no asset is recognized in relation to that portion. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

At the time of the Offering, the Group will be reorganized. As a result, Arrow Global Limited will acquire the assets currently owned by Arrow Global Guernsey Limited. Therefore all of our trading profit after the

Offering will be subject to the U.K. corporation tax. Going forward, we expect our effective tax rate to be consistent with the U.K. corporation tax rate.

Profit/(loss) for the year attributable to equity shareholders

Profit or loss for the year attributable to equity shareholders represents the result of the consolidated profit and loss account after taxation charge on ordinary activities.

Results of Operations

Balance Sheet as at October 31, 2012 Compared to Balance Sheet as at December 31, 2011

Purchased loan portfolios

Purchased loan portfolios increased by £23.8 million, or 15.9%, from £150.0 million as at December 31, 2011 to £173.8 million as at October 31, 2012. This increase was principally due to loan portfolio acquisitions of £45.7 million made during the ten months ended October 31, 2012 partially offset by amortization.

Bank loan

Bank loan increased by £13.4 million, or 22.7%, from £59.0 million as at December 31, 2011 to £72.4 million as at October 31, 2012 reflecting additional borrowings taken to fund our loan portfolio purchases net of cash generated by the business. As at October 31, 2012, we had £61.4 million under our Existing Revolving Credit Facility, which included £63.4 million outstanding from our Existing Revolving Credit Facility partially offset by £2 million of unamortized fees. Additionally, because of uncertainty related to timing of certain loan portfolio acquisitions, we acquired short-term funding from a shareholder on October 29, 2012 to ensure that we had sufficient cash for such acquisitions, which we repaid with proceeds from our Existing Revolving Credit Facility on November 2, 2012.

Shareholder loans

Prior to entering into our Existing Revolving Credit Facility, we have been funded solely by shareholder loans and cash generated by our business. Shareholder loans, which represent the loan notes issued by Arrow Global Guernsey Holdings Limited on January 21, 2009 and September 30, 2011 to RB Investments 1 Limited and which accrue interest at 15% per annum, increased from £91.7 million (including accrued but unpaid interest) as at December 31, 2011 to £103.9 million as at October 31, 2012 due to interest compounding on the balance of the loan.

Statement of Comprehensive Income for the Ten Months Ended October 31, 2012 Compared to the Ten Months ended October 31, 2011

	For the ten months ended October 31,	
	2011	2012
	(£ thousands)	
Income from purchased loan portfolios	**38,949**	**50,501**
Portfolio write-up	816	856
(Loss)/profit on portfolio and loan note sales	(406)	318
Other income	427	1,597
Total revenue	**39,786**	**53,272**
Total operating expenses	(22,518)	(28,356)
Operating profit	**17,268**	**24,916**
Interest expense	(12,459)	(15,708)
Profit/(loss) before tax	**4,809**	**9,208**
Taxation charge on ordinary activities	(1,672)	(2,565)
Profit/(loss) for the year attributable to equity shareholders	**3,137**	**6,643**

Total revenue

Total revenue increased by £13.5 million, or 33.9%, from £39.8 million in the ten months ended October 31, 2011 to £53.3 million in the ten months ended October 31, 2012. This increase was principally due to:

- *Income from purchased loan portfolios.* Income from purchased loan portfolios increased by £11.6 million, or 29.7%, from £38.9 million in the ten months ended October 31, 2011 to £50.5 million in the ten months ended October 31, 2012 due to the acquisition of new loan portfolios;
- *Portfolio write-up.* Portfolio write-up increased by £40,000, or 4.9%, from £0.8 million in the ten months ended October 31, 2011 to £0.9 million in the ten months ended October 31, 2012 principally due to our ability to more accurately value our Backbook from purchases in prior years;
- *(Loss)/profit on portfolio and loan note sales.* (Loss)/profit on portfolio and loan note sales increased by £0.7 million, from a loss of £0.4 million in the ten months ended October 31, 2011 to a profit of £0.3 million in the ten months ended October 31, 2012. In the ten months ended October 31, 2011, we disposed of a portfolio, incurring a loss of £0.4 million while in the ten months ended October 31, 2012, we sold a small portfolio of IVA accounts of approximately £0.7 million, generating a profit of £0.3 million; and
- *Other income.* Other income increased by £1.2 million, from £0.4 million in the ten months ended October 31, 2011 to £1.6 million in the ten months ended October 31, 2012. This increase was primarily due to an increase in income from asset management, which increased by £1.2 million, from £0.4 million in the ten months ended October 31, 2011 to £1.6 million in the ten months ended October 31, 2012. This increase principally reflects the effect of certain asset management contracts generating revenue for the full 10 month period compared with less than six months in 2011 as these contracts commenced in May 2011. Further, a smaller portion of the expected income from asset management contracts was recognized in the ten months ended October 31, 2011 compared to the ten months ended October 31, 2012 as we had less certainty of receiving payments.

Total operating expenses

Operating expenses increased by £5.9 million, or 25.9%, from £22.5 million in the ten months ended October 31, 2011 to £28.4 million in the ten months ended October 31, 2012. This increase was principally due to the combined effects of:

- an increase in Collection Activity Costs of £0.6 million, which are largely variable with Core Collections. Our total collections increased by £15.8 million or 27.7%, from £57.0 million in the ten months ended October 31, 2011 to £72.8 million in the ten months ended October 31, 2012. Although our Collection Activity Costs increased, due to our debt mix, improved supplier terms, scale and improved value-based segmentation, our Collection Cost Ratio has decreased from 26.7% in the ten months ended October 31, 2011 to 21.7% in the ten months ended October 31, 2012;
- an increase of £1.4 million in amortization of bank arrangement fees, as the current facility was entered into in October 2011 and increased over the following 12 months;
- an increase of £0.2 million in amortization of fees in relation to the acquisition by the RBS Special Opportunities Fund in 2009 as this was fully written off in 2012, accelerating the non-cash charge;
- an increase of £1.0 million in foreign exchange retranslation expenses as a result of the devaluation of the euro relative to pounds sterling;
- an increase of £1.6 million in staff costs to support our risk and compliance framework, our data analytics team and growth of the business;
- an increase of £0.5 million in amortization costs in relation to software licenses acquired in 2011 and 2012 (PCB and CPW licenses); and
- a decrease in professional fees and services by £0.3 million, as a result of certain non-recurring fees incurred during the ten months ended October 31, 2011.

Interest expense

Interest expense increased by £3.2 million, or 25.6%, from £12.5 million in the ten months ended October 31, 2011 to £15.7 million in the ten months ended October 31, 2012. This increase was primarily due to the an increase in shareholder interest expense, resulting from compounding of unpaid interest expense on our shareholder loan and a higher outstanding shareholder loan balance due to an additional £25 million loan in May 2011 in order to support portfolio purchases.

Taxation charge on ordinary activities

Taxation charge on ordinary activities increased by £0.9 million, or 53.4%, from £1.7 million in the ten months ended October 31, 2011 to £2.6 million in the ten months ended October 31, 2012. This increase was principally due to increased profits from our U.K. entities.

Profit/(loss) for the period attributable to equity shareholders

Profit/(loss) for the period attributable to equity shareholders increased by £3.5 million, from £3.1 million in the ten months ended October 31, 2011 to £6.6 million in the ten months ended October 31, 2012. This increase was due to the factors discussed above.

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

Balance Sheet

Purchased loan portfolios

Purchased loan portfolios increased by £87.6 million, from £62.4 million as at December 31, 2010 to £150.0 million as at December 31, 2011. This increase was principally due to loan portfolio purchases of £109.7 million in the year ended December 31, 2011, partially offset by the amortization of existing loan portfolios.

Bank loan

Bank loan increased from £7.0 million as at December 31, 2010 to £59.0 million as at December 31, 2011. This increase was principally due to our repayment of the £7.0 million outstanding and our subsequent draw down of our Existing Revolving Credit Facility of £59.0 million.

Shareholders' loan

Shareholders' loan increased by £36.0 million from £55.7 million in the year ended December 31, 2010 to £91.7 million in the year ended December 31, 2011. This increase was principally due to the increase in the shareholder loan by £25 million as well as an increase in payment-in-kind interest of £11.0 million.

Statement of Comprehensive Income for the Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

	For the 12 months ended December 31,	
	2010	2011
	(£ thousands)	
Income from purchased loan portfolios	**17,962**	**47,493**
Portfolio write-up	5	816
Profit/(loss) on portfolio and loan note sales	1,632	(25)
Other income	441	1,602
Total revenue	**20,040**	**49,886**
Total operating expenses	(14,167)	(28,545)
Operating profit	**5,873**	**21,341**
Interest expense	(7,882)	(15,132)
(Loss)/profit before tax	**(2,009)**	**6,209**
Taxation charge on ordinary activities	(45)	(2,006)
(Loss)/profit for the year attributable to equity shareholders	**(2,054)**	**4,203**

Total revenue

Total revenue increased by £29.9 million, from £20.0 million in the year ended December 31, 2010 to £49.9 million in the year ended December 31, 2011. This increase was principally due:

- *Income from purchased loan portfolios.* Income from purchased loan portfolios increased by £29.5 million, from £18.0 million in the year ended December 31, 2010 to £47.5 million in the year ended December 31, 2011 due to the acquisition of new loan portfolios;
- *Portfolio write-up.* Portfolio write-up increased to £0.8 million, from £5,000 in the year ended December 31, 2010 principally due to our ability to more accurately value our Backbook from purchases in prior years;
- *(Loss)/profit on portfolio and loan note sales.* (Loss)/profit on portfolio and loan note sales decreased by £1.7 million, from a profit of £1.6 million in the year ended December 31, 2010 to a loss of £25,000 in the year ended December 31, 2011. This decrease was principally due to our disposal of a portfolio in the year ended December 31, 2010, which resulted in a profit of £0.9 million compared to our disposal of a portfolio in the year ended December 31, 2011, which resulted in a loss of £0.4 million; and
- *Other income.* Other income increased by £1.2 million from £0.4 million in the year ended December 31, 2010 to £1.6 million in the year ended December 31, 2011. This increase was principally due to an increase in income from asset management, which increased to £1.4 million from nil in the year ended December 31, 2010, principally due to three asset management arrangements into which we entered in 2011. The increase in other income was offset by interest income of secured loan notes decreasing by £0.3 million, due to the repayments during the year.

Operating expenses

Operating expenses increased by £14.3 million, or 101.5%, from £14.2 million in the year ended December 31, 2010 to £28.5 million in the year ended December 31, 2011. This increase was principally due to an increase in Collection Activity Costs by £11.3 million. The increase in Collection Activity Costs was due to an increase in total Core Collections by £42.6 million, from £25.6 million to £68.2 million and was partially offset by improved efficiency due to our value-based segmentation methodology and debt mix, an increase in professional fees and services by £2.0 million due to one-off costs including the resolution of a Portuguese legal dispute and fees related to our entering into our Existing Revolving Credit Facility and an increase in other expenses by £1.1 million due to an increase in staff count to support our risk and compliance framework. Our Collection Cost Ratio decreased from 26.9% for the year ended December 31, 2010 to 26.6% for the year ended December 31, 2011.

Interest expense

Interest expense increased by £7.2 million, or 92.0%, from £7.9 million in the year ended December 31, 2010 to £15.1 million in the year ended December 31, 2011. This increase was principally due to an increase in shareholder interest expense by £3.2 million, or 41.5%, from £7.8 million in the year ended December 31, 2010 to £11.0 million in the year ended December 31, 2011, principally due to our shareholder loan increasing by £25 million in May 2011 and the compounding of our shareholder loan interest. This increase was also due to an increase in interest expense on our bank loan from £0.1 million in the year ended December 31, 2010 to £4.2 million in the year ended December 31, 2011.

Taxation charge on ordinary activities

Taxation charge on ordinary activities increased by £2.0 million, from £0.05 million in the year ended December 31, 2010 to £2.0 million in the year ended December 31, 2011. This increase was principally due to our loss before tax of £2.0 million in the year ended December 31, 2010 compared to our profit before tax of £6.2 million in the year ended December 31, 2011. Profits attributable to our U.K. operations were taxed at the effective U.K. corporation tax rate of 28% in 2010 and 26.5% in 2011. We did not recognize a deferred tax asset of £0.2 million of tax losses carried forward in the year ended December 31, 2011.

Profit/(loss) for the year attributable to equity shareholders

Profit/(loss) for the year attributable to equity shareholders increased by £6.3 million, from a loss of £2.1 million in the year ended December 31, 2010 to a profit of £4.2 million in the year ended December 31, 2011. This increase was due to the factors discussed above.

15 Months Ended December 31, 2009 Compared to the Year Ended December 31, 2010

Our results for the 15 months ended December 31, 2009 cover the period from January 21, 2009 to December 31, 2010. Prior to January 22, 2009, the Company was dormant. Thus, our results for the 15 months ended December 31, 2009 include operations commencing January 21, 2009. Accordingly, the financial information presented for the year ended December 31, 2010 and the corresponding information for the 15 months ended December 31, 2009 is not directly comparable.

Balance Sheet

Total purchased loan portfolios

Total purchased loan portfolios increased by £21.9 million, or 54.1%, from £40.5 million as at December 31, 2009 to £62.4 million as at December 31, 2010. This increase was principally due loan portfolio purchases of £29.6 million in the year ended December 31, 2010 offset by amortization.

Bank loan

Bank loan increased from nil as at December 31, 2009 to £7.0 million as at December 31, 2010. This increase was principally due to new bank loans used to fund purchased loan portfolio acquisitions.

Shareholders' loan

Shareholders' loan increased by £7.7 million from £48.0 million in the year ended December 31, 2009 to £55.7 million in the year ended December 31, 2010. This increase was principally due to interest compounding on the balance of the loan.

Statement of Comprehensive Income for the 15 Months Ended December 31, 2009 Compared to the Year Ended December 31, 2010

	For the 15 months ended December 31, 2009	For the 12 months ended December 31, 2010
	(£ thousands)	
Income from purchased loan portfolios	**14,225**	**17,962**
Portfolio write-up	1,448	5
Profit on portfolio and loan note sales	204	1,632
Other income	1,055	441
Total revenue	**16,932**	**20,040**
Total operating expenses	(12,000)	(14,167)
Operating profit	**4,932**	**5,873**
Profit recognized on acquisition of subsidiary	3,188	—
Interest expense	(6,434)	(7,882)
Profit/(loss) before tax	**1,686**	**(2,009)**
Taxation charge on ordinary activities	—	(45)
Profit/(loss) for the period from continuing operations	**1,686**	**(2,054)**
Loss for the period from discontinued operations	(379)	—
Profit/(loss) for the year attributable to equity shareholders	**1,307**	**(2,054)**

Total revenue

Total revenue increased by £3.1 million, from £16.9 million in the 15 months ended December 31, 2009 to £20.0 million in the year ended December 31, 2010. This increase was principally due to:

- *Income from purchased loan portfolios.* Income from purchased loan portfolios increased by £3.8 million, or 26.8%, from £14.2 million in the 15 months ended December 31, 2009 to £18.0 million in the year ended December 31, 2010. This increase was principally due to income from purchased loan portfolios from loan portfolio acquisitions of £29.6 million during the year ended December 31, 2010 and the year ended December 31, 2010 being a full trading year;
- *Portfolio write-up.* Portfolio write-up decreased by £1.4 million, or 99.7%, from £1.4 million in the 15 months ended December 31, 2009 to £5,000 in the year ended December 31, 2010 due to our expectation of aggregate ERC as at December 31, 2010 being consistent with the portfolio carrying value at that point;
- *Profit on portfolio and loan note sales.* (Loss)/profit on portfolio and loan note sales increased by £1.4 million, from £0.2 million in the 15 months ended December 31, 2009 to £1.6 million in the year ended December 31, 2010. This increase was principally due to our disposal of a portfolio in the year ended December 31, 2010, which resulted in a profit of £0.9 million; and
- *Other income.* Other income decreased by £0.7 million, or 58.2%, from £1.1 million in the 15 months ended December 31, 2009 to £0.4 million in the year ended December 31, 2010. This decrease was principally due to a decrease in interest income and profit on disposal of secured loan notes by £0.4 million, or 48.9%, from £0.9 million in the 15 months ended December 31, 2009 to £0.4 million in the year ended December 31, 2010. This decrease in interest income and profit on disposal of secured loan notes was principally due to secured loan note repayments made during the year, which reduced the amounts outstanding of our secured loan notes.

Operating expenses

Operating expenses increased by £2.2 million, or 18.1%, from £12.0 million in the 15 months ended December 31, 2009 to £14.2 million in the year ended December 31, 2010. This increase was principally due to an increase in Collection Activity Costs by £0.4 million due to increased collections on purchased loan portfolios, an increase in professional fees and services by £0.5 million due to increased loan portfolio purchasing activity during the year ended December 31, 2010 and an increase in other expenses by £1.3 million due to new premises being leased and the recruitment of additional staff to support our data analytics. Our Core Collections increased by £3.1 million, or 13.8%, from £22.5 million in the 15 months ended December 31, 2009 to £25.6 million in the year ended December 31, 2010. Our Collection Cost Ratio decreased from 29.1% in the 15 months ended December 31, 2009 to 26.9% in the year ended December 31, 2010.

Profit recognized on acquisition of subsidiary

Profit recognized on acquisition of subsidiary decreased by £3.2 million, from £3.2 million in the 15 months December 31, 2009 to nil in the year ended December 31, 2010. This decrease was principally due to the profit realized in the 15 months ended December 31, 2009 as part of our acquisition by the RBS Special Opportunities Fund in 2009.

Interest expense

Interest expense increased by £1.5 million, or 22.5%, from £6.4 million in the 15 months ended December 31, 2009 to £7.9 million in the year ended December 31, 2010. This increase was principally due to an increase in shareholder interest expense by £1.4 million, or 22.4%, from £6.3 million in the 15 months ended December 31, 2009 to £7.8 million in the year ended December 31, 2010. This increase in shareholder interest expense was principally due to the compounding of unpaid interest expense.

Taxation charge on ordinary activities

Taxation charge on ordinary activities increased from nil in the 15 months ended December 31, 2009 to £45,000 in the year ended December 31, 2010. This increase was principally due to an increase in our operating profit from the 15 months ended December 31, 2009 to the year ended December 31, 2010.

Profits attributable to our U.K. operations were taxed at the standard U.K. corporation tax rate of 28% in 2009 and 28% in 2010. We did not recognize a deferred tax asset of £4.9 million in the year ended December 31, 2010 relating to tax losses carried forward, accelerated capital allowances, pensions and payment-in-kind interest. In the 15 months ended December 31, 2009, we did not recognize a deferred tax asset of £8.8 million relating to tax losses carried forward.

Loss for the period from discontinued operations

Loss for the period from discontinued operations decreased by £0.4 million, or 100%, from £0.4 million in the 15 months ended December 31, 2009 to nil in the year ended December 31, 2010. The loss in the 15 months ended December 31, 2009 related to the disposal of loan portfolios in Poland.

Profit/(loss) for the year attributable to equity shareholders

Profit/(loss) for the year attributable to equity shareholders decreased by £3.4 million, or 257.2%, from a profit of £1.3 million in the 15 months ended December 31, 2009 to a loss of £2.1 million in the year ended December 31, 2010. This decrease was due to the factors discussed above.

Liquidity and Capital Resources

Adjusted EBITDA

The commentary below provides a description of movement of our Adjusted EBITDA from period to period. See ''Presentation of Financial and Other Information—Other Financial Information'' and ''—Purchased Loan Portfolios, Return on Purchased Loan Portfolios and Generation of Net Cash from Operating Activities before Purchases of Purchased Loan Portfolios—Operating Cash Flow Generation.''

Ten Months Ended October 31, 2011 Compared to the Ten Months Ended October 31, 2012

Adjusted EBITDA increased by £14.6 million, or 39.9%, to £51.2 million for the ten months ended October 31, 2012 from £36.6 million for the ten months ended October 31, 2011. This increase was principally due to an increase in Core Collections of £15.8 million from new purchased loan portfolios. Our improvements in data analytics, scale and value-based segmentation reduced our Collection Cost Ratio from 26.7% in the ten months ended October 31, 2011 to 21.7% in the ten months ended October 31, 2012. Thus, while our Core Collections increased by £15.8 million, our Collection Activity Costs only increased by £0.6 million. The increases in our income from asset management of £1.2 million further offset increases in our operating expenses as we increased headcount in risk and compliance, data and analytics functions. As a result, our Adjusted EBITDA ratio (defined as the ratio of Adjusted EBITDA to total collections) improved from 64.1% in the ten months ended October 31, 2011 to 70.3% in the ten months ended October 31, 2012.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2011

Adjusted EBITDA increased by £30.5 million, to £44.3 million for the year ended December 31, 2011, from £13.8 million for the year ended December 31, 2010. This increase was due to an increase in Core Collections of £42.6 million as a result of an increase in purchased loan portfolios. Our Collection Cost Ratio remained relatively flat at 26.9% in the year ended December 31, 2010 and at 26.6% in the year ended December 31, 2011 while Collection Activity Costs increased by £11.2 million. As a result, our Adjusted EBITDA ratio improved from 53.9% for the year ended December 31, 2010 to 64.9% for the year ended December 31, 2011.

Year Ended December 31, 2010 Compared to the 15 Months Ended December 31, 2009

Adjusted EBITDA increased by £2.4 million, or 20.0% to £13.8 million for the year ended December 31, 2010, from £11.5 million for the 15 months ended December 31, 2009. This increase was due to an increase in Core Collections of £3.1 million as a result of an increase in purchased loan portfolios. Over the same period our Collection Cost Ratio decreased from 29.1% for the 15 months ended December 31, 2009 to 26.9% for the year ended December 31, 2010 while our Collection Activity Costs increased by £0.4 million. As a result, our Adjusted EBITDA ratio improved from 50.9% for the 15 months ended December 31, 2009 to 53.9% for the year ended December 31, 2010.

Net Cash Flow

The following table summarizes the principal components of our consolidated cash flows for the periods indicated:

	15 months ended December 31,	12 months ended December 31,		Ten months ended October 31,	
	2009	2010	2011	2011	2012
			(£ thousands)		
Net cash flow from operating activities before purchases of purchased loan portfolios	11,907	14,069	35,043	26,756	40,349
Purchases of purchased loan portfolios	(5,768)	(29,613)	(109,744)	(65,842)	(45,695)
Net cash flow from operating activities[(1)]	6,139	(15,544)	(74,701)	(39,086)	(5,346)
Net cash flow from investing activities[(1)]	(36,919)	(265)	(1,777)	(1,162)	(630)
Net cash flow from financing activities	41,641	7,462	78,224	48,484	13,704
Net increase (decrease) in cash and cash equivalents	**10,861**	**(8,347)**	**1,746**	**8,236**	**7,728**

(1) As re-presented. See discussion in presentation of net cash flows from operating activities and net cash flows from investing activities in ''Summary of Historical Consolidated Financial Information.''

Net Cash Flow from Operating Activities Before Purchases of Purchased Loan Portfolios

Net cash flow from operating activities before purchases of purchased loan portfolios increased by £13.5 million, or 50.3%, from £26.8 million in the ten months ended October 31, 2011 to £40.3 million in the ten months ended October 31, 2012. The increase was primarily due to collections from loan portfolios purchased during the ten months ended October 31, 2011, partially offset by a £3.2 million increase in income taxes and overseas taxation paid. Net cash flow from operating activities before purchases of purchased loan portfolios for the ten months ended October 31, 2012 primarily consisted of cash inflows from collections, partially offset by cash outflows from Collection Activity Costs, overhead costs and corporate tax paid.

Net cash flow from operating activities before purchases of purchased loan portfolios increased by £20.9 million, or 148.2%, from £14.1 million in the year ended December 31, 2010 to £35.0 million in the year ended December 31, 2011. This increase reflects increased collections from loan portfolios purchased in the 12 months ended December 31, 2011 partially offset by exceptional costs of £2.9 million relating to legal fees and restructuring costs. Additionally, there was £4.0 million higher interest paid relating to bank loans used to fund loan portfolio purchases during this period.

Net cash flow from operating activities before purchases of purchased loan portfolios increased by £2.2 million, or 18.5%, from £11.9 million in the 15 months ended December 31, 2009 to £14.1 million in the 12 months ended December 31, 2010. This was due to higher Core Collections of £3.2 million and £2.0 million in proceeds from the disposal of Polish assets and an IVA portfolio in the year ended December 31, 2010. This increase was partially offset by an increase in the payment of deferred consideration relating to our acquisition by the RBS Special Opportunities Fund in 2009 of £3.5 million and tax of £1.0 million.

Purchases of purchased loan portfolios

Purchases of purchased loan portfolios decreased by £20.1 million or 30.6% from £65.8 million in the ten months ended October 31, 2011 to £45.7 million in the 10 months ended October 31, 2012. This decrease primarily reflects the timing of our loan portfolio purchases.

Purchases of purchased loan portfolios increased by £80.1 million, or 270.6% from £29.6 million in the 12 months ended December 31, 2010 to £109.7 million in the 12 months ended December 31, 2011. This increase includes the strategic acquisition of another debt purchasers' backbook of paying and non-paying debt for £46.4 million. This portfolio comprised a mix of various underlying portfolios across different originators and asset classes in the U.K. In addition due to an increase in the supply of loan portfolios for sale in the financial services industry.

Purchases of purchased loan portfolios increased by £23.8 million, or 410.3%, from £5.8 million in the 15 months ended December 31, 2009 to £29.6 million in the 12 months ended December 31, 2011. This increase was primarily due to stabilization of loan portfolio process post financial crisis.

Net Cash Flow from Operating Activities

Net cash flow from operating activities includes net cash flow from operating activities before purchases of purchased loan portfolios adjusted for the purchases of purchased loan portfolios. See ''—Net Cash Flow from Operating Activities Before Purchases of Purchased Loan Portfolios'' and ''—Purchases of Purchased Loan Portfolios'' above. See ''Summary Historical Consolidated Financial Information.''

For a discussion of change in presentation of net cash flows from operating activities and net cash flows from investing activities see ''Summary Historical Consolidated Financial Information.''

Net Cash Flow from Investing Activities

Net cash flow used in investing activities decreased by £0.6 million, or 50.0%, from an outflow of £1.2 million in the ten months ended October 31, 2011 to an outflow of £0.6 million in the ten months ended October 31, 2012. Net cash flow from investing activities for the ten months ended October 31, 2012 primarily consisted of cash outflows from the purchase of intangible assets.

Net cash flow used in investing activities increased by £1.5 million, from an outflow of £0.3 million in the year ended December 31, 2010 to an outflow of £1.8 million in the year ended December 31, 2011. Net cash flow used in investing activities for the 12 months ended December 31, 2011 primarily consisted of cash outflows from the purchase of intangible assets and the purchase of property, plant and equipment. Net cash flow used in investing activities for the 12 months ended December 31, 2010 primarily consisted of cash outflows from purchases of property, plant and equipment.

Net cash flow used in investing activities decreased by £36.6 million, or 99.2%, from an outflow of £36.9 million in the 15 months ended December 31, 2009 to an outflow of £0.3 million in the 12 months ended December 31, 2010. This decrease was primarily due to our acquisition by the RBS Special Opportunities Fund in 2009. Net cash flow used in investing activity for the 15 months ended December 31, 2009 primarily consisted of cash outflows from investments in subsidiaries. See ''Summary Historical Consolidated Financial Information.''

For a discussion of change in presentation of net cash flows from operating activities and net cash flows from investing activities see ''Summary Historical Consolidated Financial Information.''

Net Cash Flow from Financing Activities

Net cash flow from financing activities decreased by £34.8 million, or 71.7%, from £48.5 million in the ten months ended October 31, 2011 to £13.7 million in the ten months ended October 31, 2012. This decrease was primarily due to a decrease in proceeds from additional loans, which also led to a decrease in loan portfolio acquisitions. Net cash flow from financing activities for the ten months ended October 31, 2012 consisted of cash inflows from the proceeds from additional loans.

Net cash flow from financing activities increased by £70.7 million, or 948.3%, from £7.5 million in the year ended December 31, 2010 to £78.2 million in the year ended December 31, 2011. This increase was primarily due to an increase in the proceeds from additional loans of £85.3 million compared to £7.5 million used to fund loan portfolio acquisitions and was partially offset by an increase in the repayment of bank loan. Net cash flow from financing activities for the year ended December 31, 2011 primarily consisted of cash inflows from proceeds from loans. Net cash flow from financing activities for the year ended December 31, 2010 primarily consisted of cash inflows from the proceeds from loans, partially offset by cash outflows from the repayment of a bank loan.

Net cash flow from financing activities decreased by £34.1 million, or 82.1%, from £41.6 million in the 15 months ended December 31, 2009 to £7.5 million in the year ended December 31, 2010. This decrease was primarily due to a decrease in the proceeds from additional loans. Net cash flow from financing activities in the 15 months ended December 31, 2009 primarily consisted of cash inflows from the proceeds from shareholder loans in connection with our acquisition by the RBS Special Opportunities Fund in 2009 and an additional share issue.

Liquidity

Liquidity Before the Refinancing

Our cash requirements consist mainly of the following:

- debt and tax servicing requirements;
- fund debt purchases;
- fund our working capital; and
- fund capital expenditures

Our principal sources of liquidity have consisted of the following:

- our operating cash flow before purchases of purchased loan portfolios;
- borrowings under our Existing Revolving Credit Facility; and
- our shareholder loan notes.

As at October 31, 2012, we had total debt of £178.9 million compared to £121.1 million as at October 31, 2011. As at October 31, 2012, we had cash of £14.0 million and Net Debt of £60.4 million (Net Debt represents all third party debt and cash and cash equivalents, but does not include shareholder loans or unamortized bank fees). The total debt as at October 31, 2012 includes short-term funding from a shareholder on October 29, 2012 to ensure we had sufficient cash for certain loan portfolio acquisitions, which we later repaid with drawings from our Existing Revolving Credit Facility on November 2, 2012.

The Refinancing

In connection with the completion of the Offering, we will:

- repay in full the £97.2 million expected to be outstanding as at the Issue Date under our Existing Revolving Credit Facility and terminate such facility;
- use £80 million of the proceeds of the Offering to redeem all of the non-controlling interest loan (including accrued and unpaid interest) and a portion of the shareholders' loan (including accrued and unpaid interest). The shareholders' loan consists of shareholder loan notes issued by Arrow Global Guernsey Holdings Limited;
- convert the remainder of the shareholder loan notes into equity in Arrow Global Guernsey Holdings Limited;
- enter into the £40 million New Revolving Credit Facility under which no borrowings will be made upon the Closing of the Offering;
- pay fees and expenses in connection with the Refinancing; and
- use the remainder of the proceeds from the Offering for general corporate purposes, which may include loan portfolio acquisitions.

The above summarizes the expected uses of proceeds in connection with the Refinancing. The actual amounts as compared to those set forth above, which are based on October 31, 2012 outstanding balances, are subject to adjustment and may differ at the time of the consummation of the Refinancing depending on several factors, including differences from our estimation of fees and expenses and interest.

Liquidity Following the Refinancing

Following the completion of the Refinancing, our primary sources of liquidity will consist of the following:

- cash generated from our operating activities; and
- borrowings under our New Revolving Credit Facility.

Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed under ''Risk Factors.''

We believe that our operating cash flows before purchases of purchased loan portfolios, together with the cash resources and future borrowings under our New 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 for the next 12 months, although this may not be the case. In addition, our ability to draw under the New Revolving Credit Facility will only be available if, among other things we meet the financial covenants set out in the facility agreement relating thereto. See ''Description of Other Indebtedness.''

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments as at October 31, 2012 are presented below:

	Payments to be made by period				
	Less than 1 year	From 1 to 3 years	From 3 to 5 years	5 and more years	Total
			(£ thousands)		
Long-term debt obligations	3,763	66,755	167,144	—	237,662
Of which: shareholders' loan(1)	—	—	*167,144*	—	*167,144*
Finance leases	—	—	—	—	—
Operating lease obligations(2)	717	838	—	—	1,555
Purchase obligations	5,900	1,098	414	112	7,524
Total	**10,380**	**68,691**	**167,558**	**112**	**246,741**

(1) In connection with the Offering, we will enter into the £40 million New Revolving Credit Facility under which no borrowings will be made upon the Closing of the Offering. In addition we will repay in full the £97.2 million expected to be outstanding as at the Issue Date under our Existing Revolving Credit Facility and terminate such facility. See ''Use of Proceeds.''

(2) Operating lease payments represent rentals payable by us for certain of our office properties and IT equipment.

Off-Balance Sheet Arrangements

We currently have one forward flow agreement. The forward flow agreement involves an 18 month commitment which started on January 2011 with an aggregate commitment of £10.0 million. We can terminate the agreement at any time with three months notice and as at October 31, 2012, our outstanding commitment was £5.3 million. From time to time we may enter into new forward flow agreements where we contract to make multiple payments on portions of a loan portfolio from a vendor at a fixed price. In the 15 months ended December 31, 2009, the year ended December 31, 2010 and the year ended December 31, 2011, 0%, 1% and 3%, respectively, of the debt we purchased involved forward flow agreements. While we currently have one forward flow agreement, we may enter into additional agreements in the future.

Capital Expenditure

Our capital expenditure comprises (i) fixtures and fittings, (ii) IT and office equipment, (iii) leasehold improvements and (iv) software licenses.

Capital expenditures decreased from £1.2 million for the ten months ended October 31, 2011 to £0.6 million for the ten months ended October 31, 2012. Of the £0.6 million spent for the ten months ended October 31, 2012, key expenditures included the development of the PCB.

Capital expenditures increased from £0.3 million for the year ended December 31, 2010 to £1.8 million for the year ended December 31, 2011.

Capital expenditures decreased from £0.7 million for the 15 months ended December 31, 2009 to £0.3 million for the year ended December 31, 2010.

Qualitative and Quantitative Disclosure of Market Risk

The key risks and uncertainties faced by us are managed within an established risk management framework. Our day-to-day working capital requirements are funded by our cash and cash equivalents and results of operations along with access to our revolving line of credit. We have exposure to credit risk, market risk, liquidity risk, foreign currency risk and interest rate risk that arise throughout the normal course of our business.

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations. Our principal activity is the acquisition and management of underperforming loan portfolios and, as a consequence, we are exposed to credit risk. Credit risk is considered upon the acquisition of a loan portfolio and loan notes by assessing the expected return. The Portfolio Review Committee manages this risk by monitoring the performance of the loan notes and a loan portfolio throughout its economic life. The Portfolio Review Committee monitors Core Collections, updated ERC forecasts and operational campaigns focusing on any indicators of impairment. Any trends of underperformance are also identified by the Underwriting Committee to ensure these are reflected in the pricing models.

The maximum credit risk exposure in relation to the financial assets is disclosed below:

	As at December 31, 2011	As at October 31, 2012
	(£ thousands)	
Consolidated Balance Sheet		
Purchased loan portfolio	150,005	173,800
Cash and cash equivalents	6,440	13,998
Other receivables	5,793	6,836
Derivative asset	116	169
	162,354	**194,803**

All purchased portfolios are, by their nature, significantly past due and the purchase price paid relative to the carrying value of the seller at acquisition reflects the underlying credit risk. No additional collateral is held in respect of the portfolios. The loan portfolios are comprised of underlying receivables from our customers who, although all have suffered issues with personal credit, are highly diverse in nature, spread across Guernsey, the U.K. and Poland and from all socio-economic groups. We, therefore, do not believe that we have significant risk arising from any single counterparty.

All purchased loan portfolios and secured loan notes are measured at amortized cost. Under the effective interest method, we periodically review our estimated cash flows on loan portfolios for any changes that would indicate impairment.

Liquidity Risk

We actively monitor our liquidity and cash flow position to ensure we have sufficient cash and purchased loan portfolio financing in order to fund our activities. Based on our ERC forecasting tool, we set monthly cash targets for each of our DCAs. On a weekly basis, each DCA updates their view of expected collections for that particular month. Our performance management team monitors these forecasts weekly. Our management monitors the overall cash position and forecast cash position through daily reporting, the management accounts and regular review meetings. Covenants are forecast and monitored monthly to ensure that there are no expected breaches. Our management has concluded that we are able to comply with our covenants for the foreseeable future and believe it is appropriate to prepare our financial statements on a going concern basis. As at December 31, 2011 cash and cash equivalents totaled £6.4 million as compared to £4.7 million for the year ended December 31, 2010. The table below includes both interest and principal cash flows related to interest and non-interest bearing debt:

As at October 31, 2012:	Within 1 year	1 to 2 years	2-5 years	Total
Amounts due to:				
Non-interest bearing				
Trade and other payables	8,490	—	—	8,490
Interest bearing				
Non-controlling interest loan	—	—	2,558	2,558
Bank loan	11,000	—	61,367	72,367
Shareholder loan note	—	—	103,947	103,947
Total	**19,490**	**—**	**167,872**	**187,362**

As at December 31, 2011:	Within 1 year	1 to 2 years	2-5 years	Total
		(£ thousands)		
Amounts due to:				
Non-interest bearing				
Trade and other payables	7,697	—	—	7,697
Deferred consideration	1,065	—	—	1,065
Interest bearing				
Non-controlling interest loan	—	—	1,950	1,950
Bank loan	—	—	58,983	58,983
Shareholder loan note	—	—	91,703	91,703
Total	**8,762**	**—**	**152,636**	**161,398**

Foreign Currency Risk

We are exposed to foreign exchange currency risk on purchased loan portfolios, secured loan notes, cash and cash equivalents and on transactions with other related parties where the underlying cash flows are received in currencies other than sterling. The risk of this exposure is reduced using forward foreign exchange contracts.

Foreign Currency Sensitivity Analysis

If foreign exchange rates had been 10% higher relative to sterling than those at the balance sheet date and all other variables were held constant, our net assets for each denomination of currency would (decrease) as follows:

Currency	December 31, 2011	October 31, 2012
	(£ thousands)	
Euro (EUR)	(595)	(1,493)
U.S. Dollar (USD)	(4)	—
Polish Zloty (PLN)	(60)	(62)
	(659)	**(1,556)**

If foreign exchange rates had been 10% lower relative to sterling than those at the balance sheet date and all other variables were held constant, our net assets for each denomination of currency would increase as follows:

Currency	December 31, 2011	October 31, 2012
	(£ thousands)	
Euro (EUR)	727	1,825
U.S. Dollar (USD)	5	—
Polish Zloty (PLN)	74	76
	806	**1,901**

Forward Foreign Exchange Contracts and Foreign Exchange Exposure

We manage our foreign exchange exposure that arises from our euro-denominated portfolio income. Some of our assets and liabilities are denominated in euros. It is our policy to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts.

We have entered into certain forward contracts to mitigate the risk in our portfolio due to foreign currency cash flows from collection remittances denominated in euros. We have entered into the forward foreign exchange contracts (for terms provided in the table below) to mitigate the exchange rate risk arising from these anticipated future cash flows. Hedge accounting is not applied.

As at October 31, 2012, the aggregate amount of gains under forward foreign exchange contracts that have been recognized in the Consolidated Statement of Comprehensive Income relating to the exposure on these anticipated future transactions is £0.1 million as compared to £0.5 million as at

December 31, 2011. It is anticipated that the cash flows will take place over the next two years for Portugal.

Outstanding contracts	Average exchange rate	Notional value October 31, 2012	Maturity date	Fair value October 31, 2012
		(£ thousands)		(£ thousands)
Cash flow hedges				
Sell Euro				
European OTC Put GBP/Call EUR	1.154	1,337	January 31, 2013	91
European OTC Put GBP/Call EUR	1.154	1,148	January 31, 2014	78
Balance sheet asset				**143**
Total gain recognized in Consolidated Statement of Comprehensive Income				***53***

Fair Value Hierarchy

Derivative financial instruments are initially recognized, and subsequently measured, at fair value. Level 1 fair value measurements are those where the value has been derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

The fair value of the derivative assets as at October 31, 2012 of £0.2 million as compared to a liability of £0.1 million as at December 31, 2011 has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

Interest rate risk

We are exposed to interest rate risk on the purchased loan portfolio financing, related party loans, shareholder loans and cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment. We manage our interest rate risk by engaging in interest rate swaps to swap our existing floating rate payments on our rolling credit facility for fixed rate payments. As at October 31, 2012, we had in place an interest rate swap for a notional amount of £90 million, as compared to £60 million as at December 31, 2011.

In relation to our interest rate risk exposure on interest earned on cash and cash equivalents, if LIBOR had increased/(reduced) by 50 basis points for the ten months ended October 31, 2012 and all other variables were held constant, our interest income recorded in the Consolidated Statement of Comprehensive Income would have increased/(reduced) by £54,000 as compared to £38,000 in the year ended December 31, 2011.

In relation to interest payments on outstanding debt attributable to our revolving credit facility that is priced at LIBOR plus a fixed-margin, if LIBOR had increased/(decreased) by 25 basis points for the ten months ended October 31, 2012 and all other variables were held constant, our interest expense recorded in the Consolidated Statement of Comprehensive Income would have increased/(decreased) by £164,000 compared to £101,000 in year ended December 31, 2011.

Critical Accounting Policies and Estimates

The preceding discussion of past performance is based upon our Financial Statements. Our significant accounting policies are described in Note 3 to our Consolidated Financial Statements included elsewhere in this Offering Memorandum. The application of these accounting policies requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for turnover and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. On an ongoing basis, we evaluate our estimates, which are based on historical experience and market and other conditions, and on assumptions that we believe to be reasonable. We have chosen to highlight certain policies that we consider critical to the operations of our business and understanding our consolidated financial information. The following areas are considered to involve a significant degree of judgment or estimation (this section should be read in conjunction with the notes to the Consolidated Financial Statements included elsewhere in this Offering Memorandum).

Revenue recognition

Purchased loan portfolios are financial instruments that are accounted for under IAS 39 and are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a purchased loan portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded as income from purchased loan portfolios in the Financial Statements. The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. The EIR is determined as at the time of purchase of the loan portfolio and then reassessed and adjusted up to 12 months after the purchase of the loan portfolio to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on income from purchased loan portfolios. When an individual portfolio's carrying value is completely recovered, we recognize any subsequent collections as revenue as it is received.

Cash flow forecasts

Estimates of cash flows that determine the effective interest rate are established for each purchased portfolio over 12 months old and are based on our collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location, and the time since the original charge-off. Revaluations of portfolios are based on the 84-month ERC. This ERC is updated with the Core Collections experience to date on a monthly basis using a proprietary model. ERC represents an estimate of the undiscounted cash value of our purchased loan portfolios at a point in time. See ''Presentation Of Financial And Other Information—Other Financial Information—Non-IFRS Financial Measures.''

Revenue on Assets Under Management

In accordance with IAS 18, we recognize revenue on our managed services contracts when it is probable that the economic benefits associated with the transaction will be received and the amount can be measured reliably. The right to receive such revenue is measured in reference to services rendered based on the stage of completion, regardless of milestone payments received.

Impairment of Purchased Loan Portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, we identify an incubation period, during which time the portfolio is reviewed for signs of impairment but for which the EIR is not formally set. The incubation period lasts for no more than 12 months subsequent to acquisition date of the portfolio.

Exceptional Costs

Exceptional costs include items that, by virtue of their nature, are not considered to be representative of the performance of our business. We believe these amounts should be disclosed separately to assist in the understanding of our financial performance. Such items typically include certain legal-related expenses and restructuring expenses.

Debt sale developed as a method for creditors to manage defaulted loans and to accelerate capital release for debts that were already fully or heavily provisioned. Today, the debt purchase industry has become a structural component of the debt recovery process in many markets and provides a sustainable solution for credit institutions facing increasing capital and liquidity regulatory requirements. In addition, the sale of defaulted debts to debt purchasers reduces creditors' operational and financial burdens associated with debt collection. The effectiveness of the debt recovery process is in the ability to ''repair'' missing and erroneous customer data to find the right customers, accurately assess their circumstances and offer a sustainable and affordable solution, as well as determine an economic servicing strategy for a variety of defaulted debts. The scale, flexibility and long-term focus of debt purchasers make them better placed than originators' in-house collection teams or DCAs to perform this service because they have less flexibility in their operations and time frames than debt purchasers. In this context, creditors consider debt purchasers to be a core component of their collection strategy and accounting considerations, and as a result of this and other key factors, such as regulatory and compliance requirements, are increasingly seeking to build stronger, longer lasting relationships with fewer leading players.

Overview of the Credit Lifecycle of Defaulted Debt

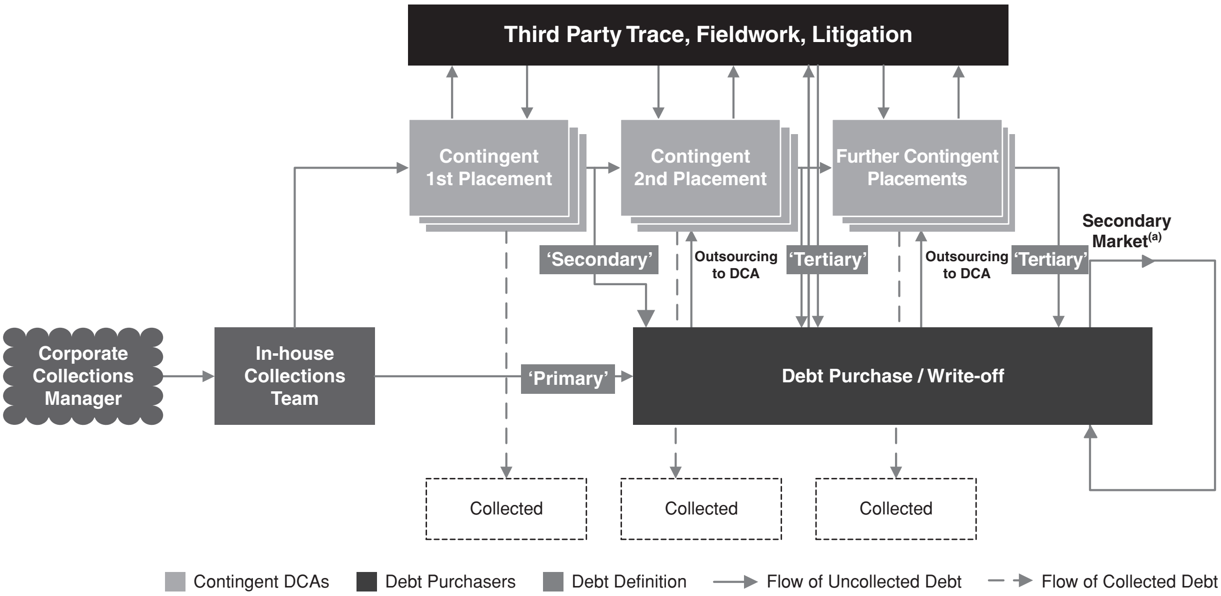
Customer defaults are an inherent component of unsecured lending activity. During the underwriting process, lenders expect to incur loan losses and a target net credit spread after loan losses underpinning their credit terms. Loan losses and debt defaults generally encompass non-paying debts, insolvencies and paying debts where the customer's payments are below contractual terms. Defaulted unsecured consumer debts include financial services, telecommunications, retail, utilities and government debts. Defaulted consumer debt management is an established part of the credit lifecycle. The typical lifecycle of debt portfolios that are transferred from a credit provider to a DCA or debt purchaser is as follows:

- **Origination of debt.** A customer obtains credit from a credit provider. The financial services industry has historically been the largest source of credit for consumers, but short or long-term consumer credit has also become a core component of business models across other sectors, including telecommunications, home retail credit and utility companies.
- **Default.** A customer defaults entirely on his or her payment obligations or fails to maintain a series of scheduled payments at contractual levels. This often happens either because of a change in circumstances, such as the loss of a job, or because the customer entered into excessive debt arrangements that he or she could not manage, or the customer stopped paying and cannot be contacted for the overdue payment. Originators underwrite new portfolios at a target default level and pricing reflects estimated propensity of customers to default. Thus, as consumer credit is extended, it is expected that a proportion of customers will, at some point, default on their debt, creating opportunities for debt purchasers throughout the credit lifecycle.
- **Recovery and engagement of DCAs.** A creditor initiates recovery activities on defaulted debts. Debt originators pursue a number of strategies to collect outstanding balances at various stages of the recovery process. In a typical debt recovery process, as illustrated below, an in-house collections team initiates recovery of defaulted consumer debt after missed payment(s). If the in-house recovery is unsuccessful, after 90 days debts are placed with external DCAs for a 4 to 12-month period, after which the creditor usually recalls uncollected debts and proceeds with further placements. DCAs tend to collect using their expertise in certain segments of the market (e.g., customers with different demographic attributes) and/or types of debts and generally try to collect defaulted debts from customers through a mixture of letters and phone calls. The investigation is supplemented by data gathering and 'trace' activity to locate customers and direct discussions with customers to define an appropriate repayment solution. Ultimately, a minority of customers are pursued via litigation, which is a possible route when a customer is unwilling to pay despite his or her personal circumstances demonstrating an ability to pay. Debt collection outsourcing and debt sales are essential to creditors' recovery strategies as they generally do not consider the collection of defaulted loans to be a core activity. In addition to traditional providers of consumer lending, HMRC and other public sector entities have increasingly sought to engage the services of external DCAs as part of their recovery process.

- **Debt sale.** A creditor decides to sell the defaulted debt to a third party. Large debt purchasers typically have a much greater scale of defaulted consumer debt collections compared to credit originators, and therefore their expertise, specialization and data richness make debt sale a preferred strategy of a mainstream creditor. The decision of the credit originator to sell defaulted consumer debt to a debt purchaser can occur at various stages of the recovery process, generally depending on a number of economic and operational factors, such as the time since default, the type of debt, pricing, balance sheet considerations, operational burden, the likelihood of successful in-house collection operations, accounting considerations and the attractiveness of short-term cash generation. Typically, older debt is sold following multiple DCA placements. However, there is a recent trend for earlier disposal, notably to save costs sooner and to reduce capital requirements as originators are under greater regulatory pressure to shore up capital levels and as capital rules (including for defaulted loans) are being tightened.

Illustrative Debt Collection Process

The following chart shows a typical debt collection lifecycle, including the externalization of collection activities to specialist DCAs and ultimately the sale to a debt purchaser. The following chart shows typical flows only and is not an exhaustive map of possible routes.



Source: OC&C Strategy Consultants

Rationale for Debt Repayment by Customers (Debtors)

Customers have many incentives to repay their debts. Credit reports are an increasingly important component of daily life. Banks, telecommunications providers, utility companies, insurance companies, retailers and landlords use consumer credit reports extensively before entering into a contract with a customer. A poor credit score or unpaid debt can significantly restrict a customer's access to such services at an affordable rate, if at all. An improved credit score, which may be available to a customer through the repayment of outstanding debt, provides a powerful incentive. Furthermore, repayment amounts established through long term repayment plans tend to be small, which makes such repayment plans more affordable for the customer.

Debt Purchasers' Value-add in the Debt Collection Process

Potential debt collections are determined not only by the ability or willingness of the customer to repay the defaulted debt, but also by the ability of DCAs and debt purchasers to identify and locate that individual, accurately assess his or her personal circumstances via extensive data analytics and offer a suitable repayment solution. This is often hindered by gaps or flaws in the customer's information caused by a customer's mobility, flawed or incomplete information gathering and storage, as well as the absence of a U.K. universal ID system, all of which impairs the ability to trace non-paying customers effectively. Our experience suggests that data improvement opportunities exist on approximately 50% of records received from the seller. Therefore, repairing customers' data by reflecting correct circumstances is an important step in creating the right customer profile. A greater ability to locate customers and assess their financial circumstances to make appropriate payment requests leads to an increased ability to price debt portfolios appropriately pre-purchase and collect successfully on debt portfolios post-purchase. Improving and verifying data prior to use in the recovery process is also an important OFT guideline requirement and a core regulatory compliance step.

Many originators do not have sufficient operational capabilities and flexibility of IT systems to repair data and collect defaulted debt effectively and we believe that they have limited incentive to invest into them. Collection of defaulted consumer debt requires a very specific set of skills that debt purchasers have built over time. Debt purchasers do not have short-term time constraints for debt recovery, which justifies the investment in data analytics to enhance data quality and maximize lifetime collections value while ensuring a superior and more compliant customer experience. Larger debt purchasers are advantaged in fixing distressed data because they have more data assets and scale, and they are the only defaulted consumer debt collection specialists who, in their capacity as creditors, are given full credit bureau access with relevant reciprocal permission to access data post purchase, which makes them more suited than credit originators and DCAs to add value in cost efficiency and the data repair throughout the debt collection process.

Overview of the U.K. Defaulted Debt Sale Market

Annual creation of defaulted unsecured consumer debts (including financial services, telecommunication, retail, utilities and government debts) has been between £10 and £20 billion per annum in the U.K. over the last ten years. The debt collection market in the U.K. experienced continuous growth from 2000 to 2012, despite slight declines in the volume of unsecured consumer debt originated since 2008. Outsourced debt collection volumes continued to increase both through the financial crisis of 2008 and thereafter, while unsecured lending volumes declined by 7.6% from 2008 to 2009. Debt sale developed in the U.K. in the 1990s. According to data released by the Credit Services Association ("**CSA**"), a key industry body, in September 2012, the total value of unpaid consumer debt held by CSA members for collection in the U.K. as of the second quarter of 2012 was estimated at £61.4 billion, comprising £33.2 billion placed by creditors with DCAs to collect, and a further £28.2 billion of purchased debt owned by debt purchasers.

We believe vendors have recognized the ongoing success of specialist capabilities employed by professional DCAs and debt purchasers, which is reflected in the increase in collection outsourcing and sales of non-financial consumer debt by telecommunications providers, utility companies, motor finance, store credit and home retail credit originators and, most recently, HMRC and other public sector entities.

Lifecycle of Debt Sold and Sale Pricing

Prices are generally lower for accounts that have been in default for extended periods or have passed through several DCA placement cycles due to lower than expected recovery rates. Generally, a debt purchaser will acquire defaulted debt (in various states of delinquency) at a price heavily discounted from the face value of the debt (the purchase price typically ranges from 1% to 25% of face value). In the case of paying accounts debt purchasers acquire annuity-like cash flow streams, while for non-paying accounts (primary, secondary and tertiary) they need to make contact with the customer and establish a sustainable and affordable repayment plan, which is increasingly difficult for accounts that have been in default longer. This drives the variance in indicative pricing for various types of non-paying and paying accounts. An illustrative overview of key characteristics and indicative pricing for typical debt vintages is shown in the table below.

Type of debt	Time from missed payment	Description	Indicative pricing range
Primary	90-180 Days	• 'Fresh' accounts are sold after three months of internal collections only • Some originators have a policy of selling all accounts at this stage	8%-15%
Secondary	180-360 Days	• Accounts are sold after a single six to nine month placement with an external DCA	4%-10%
Tertiary	360+ Days	• Accounts are sold after a second (or more) placement(s) with an external DCA	1%-4%
Paying Accounts	Sale of accounts on paying arrangement at any point post default	• Accounts which have been converted by internal / external collections activity • Pricing is higher reflecting the cash flow being generated	15%+

Methods of Debt Sale

There are two main methods used by creditors when structuring a debt sale:

- **Spot sale.** Spot sales are the most common method, since purchasers avoid commitment to fixed prices and sellers can establish a benchmark price without committing to a long term forward flow arrangement. It can be undertaken in four ways:
  - **Auctions.** A panel of debt purchasers are invited to submit bids for portfolios. An auction process can take many forms, including sealed bids or more competitive online procedures, and can be facilitated by a broker or the seller's management team (typically the latter).
  - **Bilateral sale.** Sellers engage in discussions with one selected party (or sometimes a few) and negotiate the sale. In these transactions, sellers target debt purchasers with particular competencies or differentiated abilities to take on a given portfolio.
  - ***In situ* sale.** Sale of a portfolio with the agreement or obligation from a debt purchaser that portfolios which are currently serviced by particular agencies or law firms remain with those agencies or law firms for a certain period of time post acquisition.
  - **Secondary sale.** The sale of accounts from a debt purchaser or financial buyer to another either after a limited period of trial collections activity to establish value or after dividing a portfolio into smaller pieces. Secondary sales generate additional liquidity by facilitating the release of capital earlier and provide originators with a platform to sell increasingly larger portfolios to well funded players that can sell on to smaller debt purchasers parts of the portfolios that are less in line with their investment strategy.
- **Forward flow arrangement.** An agreement to sell several portfolios over a period of time at a predetermined price and quality of debt, avoiding fluctuations caused by changes in macroeconomic conditions and outcomes of precedent auctions. Forward flow arrangements are typically for primary or secondary stage debts.

Overview of Key Market Sectors

We typically purchase defaulted loan portfolios across a number of sectors that use debt sale as a central component of their defaulted consumer debt recovery strategy. These include:

- **Financial services.** The financial services sector is the largest originator of defaulted debts by value and typically has the highest appetite to use debt sale as a recovery mechanism, making it the biggest segment in the debt purchasing market. It is highly diversified by type, age and quality of debt and vendor. Debt sales in this sector mostly comprise balances outstanding on credit cards, personal loans, overdrafts, affinity cards, mortgage shortfalls, payday loans and long-term retail debt receivables that have been originated by banks and credit card companies. Credit card providers typically prefer to limit lengthy in-house collections and multiple DCA panels and sell younger, more valuable debt.

- **Telecommunications.** Led by mobile phone companies, telecommunication firms have increasingly looked to debt sale to recover unpaid bills. Debt sales in this sector mostly comprise balances outstanding on unpaid mobile phone bills or mobile phone contracts set up to provide a discount on a mobile device that were terminated prior to their agreed maturity. Typically, telecommunications debt tranches have lower balances and are sold at the primary and secondary stages. This market sector has evolved rapidly since 2007 and, today, sellers have a detailed understanding of the value of debt sale over the management of DCA panels. All U.K. mobile network operators use debt sales as a part of their debt recovery management processes. Four of them have started selling debt earlier in their credit management process, making it a more integral part of their credit recovery process and increasing the market size by making more debt of higher value available to purchasers.
- **Retail.** In addition to longer term retail debt, significant charge-offs occur in short-term credit offered by catalog, phone or online shopping companies as part of their sales growth strategy. Portfolios are generally sold at an early stage, usually before being placed with a DCA and thus often resulting in higher value debt portfolios. Sales of short-term home retail debt have exhibited strong growth since 2008.

Some other sectors, from which we are currently not purchasing, have started to outsource debt collection and consider selling defaulted debt. These include utility companies (water, power, gas) who generate high annual volumes of defaulted consumer debt as well as the government sector where the debt generated mostly comprise council tax, student loans, parking fines, child support and unpaid taxation. Debt sale has also occurred for specific types of debt, including individual voluntary arrangements and bankruptcies where we are not an active participant.

Key Debt Purchase Market Drivers and Historical Market Performance

The total volume of sales in the debt purchase market is principally defined by the amount of defaulted consumer debt available and creditors' propensity to sell. Since creditors underwrite at a target net credit spread after loan losses, there is a relatively consistent default rate on issued debt with an approximately two-year lag and consequently a positive relationship between new unsecured consumer borrowing and new unsecured defaulted debt.

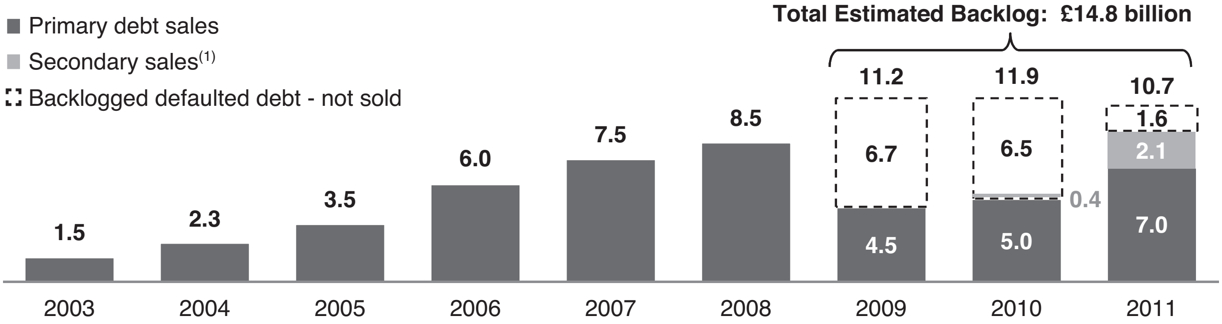
Unsecured consumer borrowing is a structural feature of the U.K. economy and has been growing steadily following contraction during the recession; volumes at the end of 2011 reached levels similar to those of 2007. At the same time, the volume of defaulted loans, which peaked in 2010 driven by a high growth in annual defaults of financial services debt in 2009 and 2010, reduced significantly over the course of 2011 to reach more normalized levels. There was an estimated £16 billion of new defaulted consumer debt in the market in 2011, of which £12 billion was in financial services, £2 billion in government debt, £2 billion in utilities and £0.4 billion in telecommunications debt.

In addition to operational and financial considerations driving the debt sale as a recovery strategy for creditors, we believe that a number of external factors are contributing to further sale activity in the U.K. For example, banks face a time limit as to when they can sell their debt because of the statute of limitations applicable in the U.K., which does not allow a creditor to legally enforce collections on debt either five or six years (in Scotland or in England, Wales and Northern Ireland, respectively) after the last non-verbal acknowledgment of the debt by the customer (such as the last payment made on the account). In addition, we believe that the increasing regulatory capital and liquidity constraints for large financial institutions are putting additional pressure on banks to delever and restructure their balance sheets leading to further asset disposals.

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, resulted in the exit of many debt purchasers from the market. From 2008 to 2010, the sector went through a period of slower activity as competition waned and transaction values decreased significantly, thus reducing originators' appetite to sell defaulted debt. Therefore, a high proportion of defaulted consumer debt was serviced in-house or by DCAs. In comparison with a 23% share of the pool of defaulted consumer debt sold in 2006, we believe only 11% was sold in 2009.

The compounded impact of an increase in defaults, a lack of funding available to debt purchasers and a reduction of debt sales created a backlog of unsold defaulted debt. This backlog is estimated by OC&C Strategy Consultants to amount to £14.8 billion by assuming that the proportion of debt sold relative to consumer borrowing would have remained at 2008 levels throughout 2009 to 2011. Management expects this backlog to be sold by originators over the next five years. The figure below shows the development of debt sale volumes since 2003 and estimated volumes of backlogged defaulted debt.

Face value of debt sold in the U.K., 2003-2011 in £ billions



Source: OC&C Strategy Consultants

(1) Secondary sales are inherently conservative and based only on expressly named and publicly announced transactions.

Since 2009, the debt purchasing market has returned to growth, driven by the size of addressable assets and the increasing willingness of originators to sell debt given increasing pressure to reduce the costs of holding and managing defaulted debt. In 2011, 16% of the total pool of defaulted consumer debt was sold. The rise of secondary sales activity has further accelerated this growth. At the end of 2011, we estimate that the total face value of debt sold in the U.K. market amounted to £9.1 billion. When measured in terms of purchase prices, total volumes are estimated to have amounted to £736 million for 2011. According to an industry report, the U.K. consumer debt sale market is expected to have exceeded £10 billion in face value in 2012 and to approximate £893 million in terms of purchase price.

Portfolio prices contribute a large part to the growth of the debt purchase market measured by purchase price. Prices peaked in 2007 due to the availability of cheap funding paired with greater competition between undifferentiated debt purchasers. However, price levels decreased during the market shake-out as a result of lower capital availability amongst debt purchasers. Although there is heightened competition in the debt purchase market following the market dislocation, we believe that, on a like-for-like basis, purchase prices of non-paying and paying debts are significantly lower than in 2007. Furthermore, we believe that improvements in collection efficiency and data enhancement capabilities imply that pricing parity for owned loan portfolios in 2011 generates higher returns to the leading buyers than in 2007.

Despite observed volume increases across the sector, we do not expect the number of market participants to return to the high levels we saw in 2006 and 2007 as debt sales are typically larger and sellers increasingly tend to prefer focusing on smaller panels of pre-approved, well-known purchasers. We expect growth to be more stable, driven by increased prices and sales of larger portfolios, which we anticipate will be more accessible to the established operators in the market.

U.K. Competitive Environment and Our Position

In the last few years, the debt collection industry has consolidated around a small number of industry players driven by certain challenges, such as:

- the need for high quality data acquired over extended period of time;
- scale advantages; and
- strong relationships with debt sellers and DCAs.

Furthermore, creditors have increasingly resorted to small debt sales panels of three to five buyers to better manage compliance and complexity concerns.

Each of our competitors pursue specific types of portfolios and market segments in which they have developed expertise and believe themselves to be well positioned to service in order to achieve appropriate returns. For example, some debt purchasers have focused on developing litigation infrastructures, which may be more effective for certain segments of defaulted debt portfolios. Some purchasers are more focused on lower balance debt in a secondary and tertiary stage of the debt lifecycle, and which can require significant investment in and focus on tracing capabilities and automated portfolio segmentation.

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. Large and established foreign debt purchasers, such as Hoist of Sweden and Portfolio Recovery Associates of the U.S., among others, have recently become active in the U.K. debt purchase market and compete for the acquisition of debt portfolios in the U.K.. As a result, current competitive dynamics primarily reflect the ability of each debt purchaser to successfully position itself to generate appropriate returns on investment, based on their cost structure, operational capabilities and the composition of their backbooks. See ''Risk Factors—Risks Related to Our Business—We operate in markets that are competitive. We may be unable to compete with businesses that offer higher prices than us for the purchase of debt portfolios, or our competitors may develop competitive strengths that we cannot match.''

As a result of our outsourced model, large and sophisticated data assets and ability to leverage a range of specialist DCAs, the market segment addressable by us is very broad and constitutes 70% to 80% of the total defaulted consumer debt purchase market in the U.K., equivalent to approximately £6.4 billion to £7.3 billion face value per annum. This category comprises a wide variety of portfolios requiring medium to high data analytics intensity to successfully collect and achieve target returns. A high proportion of these portfolios are originated in the financial services sector, where we believe Arrow Global is one of the largest players in the U.K..

We have established a leading position in the defaulted consumer debt purchase market, with relationships with over 55 different creditors. We believe that in 2011 we were invited to bid in nearly all public U.K. market tender processes across addressable sectors and were the largest purchaser, having invested nearly £110 million in portfolio acquisitions. In 2011, we were the market leader for defaulted debt purchased in the U.K. according to an industry report, and in 2012 we were ranked joint number one in the annual OC&C industry index.

U.K. Market Dynamics

The concentration in the U.K. debt purchase market over the last few years has resulted in a maturing of the industry, with the key participants increasing in scale and operational sophistication. We believe this creates certain challenges for a new entrant to create a sustainable business, illustrated by the following current market dynamics:

- **Originator relationships.** Most key debt originators in the U.K. have established relationships with the leading debt purchasers. Increasingly, such vendors are seeking to maintain relationships with a smaller number of debt purchasers with established track records for both successfully transacting on a sustainable basis and regulatory compliance. In addition, management believes that incumbent debt purchasers benefit from sellers' inertia around approved panel members due to the workload and approval process, such as audits and IT connectivity, among others, required to on-board a new member.
- **Scale.** As originators tend to sell larger, more complex portfolios (compared to the previous trend of segmenting portfolios), we believe there are few buyers with sufficient scale to acquire and on-board large mixed portfolios. In addition, the scale of larger, established debt purchasers provides a cost advantage when pricing and collecting on new debt portfolios.
- **Data.** Greater account matching and data append ability from larger data sets and more advanced analytical capabilities of historical players are key operational advantages for more accurate underwriting of new portfolios and an enhanced ability to drive collections on existing portfolios. The data asset and analytics capabilities of a debt purchaser are developed over an extensive period of time, requiring substantial investment and expertise. A new entrant would be unlikely to have the data assets required to be competitive and achieve appropriate and sustainable returns in the U.K. market.

- **Funding.** The U.K. debt purchase market has historically been funded through revolving credit facilities provided by major U.K. and European banks. The tightening of credit worldwide since 2008 means that generally only high quality names have had access to these funding lines or other financing. Without a successful track record and verifiable projections supported by reliable pricing models, it could be difficult for a new entrant to obtain cost-effective debt funding to purchase debt portfolios. Additionally, debt purchasers with known financial capacity are more likely to be invited to bid for portfolios in sale processes.
- **Management expertise.** Expertise is required across business areas, including, but not limited to, credit risk, investment, collections, data processing and compliance. Since the debt purchase market is relatively concentrated in the U.K., recruiting proven management with extensive industry knowledge may prove difficult.
- **Regulatory environment and compliance.** The industry is subject to increasing levels of legal and regulatory oversight. Debt purchase and debt collections activity is currently scheduled to migrate to the newly established FCA in 2014. The trend over the past 20 years has been to make debt collections activity a mainstream financial services activity subject to a comparable level of regulatory scrutiny as the activities of the original originators. In this context, compliance track record and reputation are key to developing strong relationships with originators and being a successful debt purchaser in the market and will only become more important. As a result, considerable investment in processes, know-how and management is an absolute requirement, making it difficult for a new entrant to be competitive. See ''Regulation and Compliance.''

Overview of the Portuguese Defaulted Debt Purchase Market

The Portuguese market is attractive for the debt purchasing industry due to its early stage of development, additional data availability and favorable competitive and regulatory environments. The market is characterized by a less sophisticated approach to pricing and lower competition compared to the U.K. market. High customer density in the major cities and the use of a unique national ID system significantly simplify tracing and improve collectability. As a result, a relatively high proportion of Portuguese assets pay back within a year. These factors enable debt purchasers to buy defaulted debt at lower prices, facilitating high collection rates and resulting in high returns.

The Portuguese debt purchase market is currently emerging from the initial stage in the typical debt purchaser development cycle. Addressable defaulted consumer debt stock has increased by 25% per annum from 2010 to approximately €6 billion in 2012. According to market research it is expected that around €800 million of this defaulted debt will be sold in the coming year. Tighter regulations imposed by the IMF and the Bank of Portugal increase the likelihood that banks will sell household delinquent consumer credit assets to maintain loan to asset ratios. Forecasts indicate an increase in originators' propensity to sell as a poor macroeconomic outlook is expected to lead to further bank impairments. Under such circumstances, debt sale is increasingly seen as an effective mechanism for reducing this burden.

Relative to the U.K., there is a lack of typical structured flow for defaulted debt sales, as the market is less developed. This is a result of Portugal not having experienced the broker led sales that generated significant growth in the U.K. market. As such, this presents an opportunity for debt purchasers to establish direct relationships with originators to pursue attractive opportunities through strong local partnerships.

The statute of limitations period in Portugal for debt collection is currently 20 years pre-legal action, and as a result debt collection strategies in the Portuguese market are predominantly focused on a legal collection route.

We believe that we are currently the leading defaulted consumer debt purchaser in Portugal.

BUSINESS

Overview

We are a leading purchaser of defaulted consumer debt in the U.K. and Portugal. We have grown since we were established in the U.K. in 2005 and we have built a high quality portfolio comprising approximately 3.5 million purchased accounts with an aggregate face value of £5.6 billion generating an 84-Month ERC of £406.2 million as at October 31, 2012 which we believe is one of the largest in the industry. Of the investments we have made since January 2009, 91.4%, as measured by purchase price, have been originated in the U.K. Our Unlevered Net IRR as at October 31, 2012 was 29.1%.

Since our inception we have been an innovator in building leading data assets and analytics capabilities in the market, enabling us to make more informed underwriting and collections decisions and become a market-leader in compliance. We have developed significant data assets with approximately 3.5 million purchased accounts in our own database and access to data for approximately 11 million records through the PCB, one of the U.K.'s first debt collection focused credit bureaus, which we developed with Experian. We use these data capabilities to maximize our underwriting accuracy, optimize collections by matching missing and incomplete data in the information we receive from originators and assemble a consolidated profile of each customer's circumstances so that we can assess the most appropriate and sustainable repayment solution for each account.

Our business model combines our strong data capabilities with our unique partnering approach to collections in which we use an extended network of over 60 specialist DCAs to manage the final collections activity on our behalf on a fully contingent basis using the data insight we share with them. We maintain strategic relationships with a core panel of ten DCAs, who achieved approximately 69% of our Core Collections in the ten months ended October 31, 2012. This provides us with an efficient, variable cost structure and a Collection Cost Ratio which we believe is amongst the lowest in the industry. Our low fixed cost base gives us a high cash conversion rate. We convert 70 pence of every £1 we collect into Adjusted EBITDA, which we regard as our best measure of cash generation.

Our strategy is to utilize the advantages inherent within this flexible business model to purchase both paying and non-paying accounts within a broad market footprint where returns are greatest. We are particularly focused on financial services assets, the largest market segment, which account for 85% of our assets by purchase price. We also operate in the telecommunications and retail segments and are able to test new or adjacent market segments in a controlled way, thus leveraging the expertise of our specialist DCAs.

We benefit from a well-known and trusted brand whose reputation we have built over time having purchased loan portfolios from over 55 different originators. Our experienced origination team maintains close relationships with all major U.K. and Portuguese debt sellers who are increasingly looking to sell only to small panels of trusted partners with established compliance records and proven ability to close transactions. We believe we are on the panels of the vast majority of large originators in the U.K. and Portugal, which provides us with access to nearly all public auctions, and the market segment addressable by us is very broad, constituting 70% to 80% of the total defaulted consumer debt purchase market in the U.K.

We have an established record of underwriting accuracy, having collected 103% of our gross original underwriting cash targets from 2009 to October 31, 2012. As our data assets increase, we are able to identify a higher number of accounts prior to underwriting, which we believe further reinforces our underwriting risk management and gives us a competitive advantage.

Risk and compliance management is at the core of our business culture and operations. We believe that compliance is integral for developing and maintaining relationships with originators. We place great importance on the fair treatment of customers and have an established record of low rates of complaints. In 2011, we had a lower rate of complaints than any rates published by our competitors. For the 12 months ended October 31, 2012, we had an average of 1.1 FOS filed complaints received by us and our DCAs per 100,000 owned accounts. We strive to be an industry leader in compliance and we were an inaugural member of the Continuous Improvement Programme established by the Debt Buyers and Sellers Group (''**DBSG**'') in partnership with PricewaterhouseCoopers.

Our business model and strategy has proved effective in supporting our growth into one of the leading debt purchasers in the U.K. and Portugal. Our Adjusted EBITDA has increased between 2009 and 2011, from £11.5 million in the 15 months ended December 31, 2009 to £44.3 million in 2011, and was

£59.0 million for the 12 months ended October 31, 2012. During the same period, our 84-Month ERC, has grown from £91.2 million to £367.3 million and was £406.2 million as at October 31, 2012.

Our focus on financial services loan portfolios provides us with stable long term cashflow. These assets have a higher average balance and more than double the weighted average life of our retail and telecommunications loan portfolios and provide a high proportion of small regular monthly payments. By purchasing portfolios with a large number of existing payment plans and establishing new payment arrangements on defaulted debts, we have built a portfolio of approximately 266,000 paying accounts with an average payment of £27 per month for the three months ended October 31, 2012. As a result, we have regular, annuity-like cashflows which contributed approximately 74% to our Core Collections which were £72.8 million in the ten months ended October 31, 2012. The face value of our paying loan portfolio as at October 31, 2012 was £745 million, which represents 1.8 times our 84-Month ERC.

Our track record of innovation, compliance and financial performance has been widely recognized within the industry. We have been awarded Debt Purchaser of the Year at the Credit Today Awards in 2011, and were ranked joint number one in the annual OC&C industry index in 2012.

Strengths

We believe that we benefit from the following key strengths:

Significant Value and Predictability Embedded in Existing Backbook

We believe that we have significant value and predictable future cashflows embedded in our existing Backbook. We focus on purchasing loan portfolios that meet our investment criteria, including the ability to generate returns at or in excess of a certain rate of return, and then establishing and maintaining regular payment plans with our customers. For our purchased loan portfolios, approximately 74% of Core Collections are derived from small, regular, annuity-like payment arrangements. In the three months ended October 31, 2012, our average customer payment was £27 per month for our loan portfolios, mostly through regular payment methods such as direct debit. In addition, financial services assets account for 85% of our portfolio by purchase price and have a higher average balance and more than double the weighted average life of our retail and communications loan portfolios and provide a high proportion of small regular monthly payments. Arranging affordable and sustainable repayment plans for each customer results in a weighted average life for these portfolios of typically more than five years. This long average life provides visibility on future cash flows. In the ten months ended October 31, 2012, approximately 82% of our Adjusted EBITDA was derived from assets acquired prior to January 1, 2012.

Cash-Generative Business Model

We are highly operationally cash generative, with relatively small investment required to maintain our existing asset base and with surplus cash available to grow and reinvest in our business. In the ten months ended October 31, 2012, we converted 70% of our Core Collections to Adjusted EBITDA. We have achieved this by using our sophisticated data analytics and value-based segmentation to determine the most appropriate DCA to collect on a particular account. Over time, our DCA panel members have learned to trust and rely on the quality of our data analytics and thus we are able to agree commission rates based on our forecast of individual accounts' liquidation. This has contributed to the reduction of our Collection Activity Costs to 22 pence per £1 collected. In the 12 months ended October 31, 2012, our Backbook generated £59.0 million of Adjusted EBITDA (which we regard as our best measure of cash generation), reflecting a ratio of 70% to Core Collections. After the deduction of normalized tax and capital expenditure and the assumed interest payable on the Notes, the business would have generated £38.2 million of surplus cash before portfolio purchases in the 12 months ended October 31, 2012. We estimate that portfolio purchases of approximately £24.0 million are required to maintain a constant 84-Month ERC (which is dependent on mix, collections, the performance of our existing loan portfolios and the return characteristics of new loan portfolio acquisitions). Net of purchases required to maintain a constant 84-Month ERC, the surplus cash generation of the business in the twelve months to October 31, 2012 is £14.2 million, which can be used to grow and reinvest in our business. Combined with discretionary portfolio acquisition expenditures, this provides us with significant control over liquidity. Our efficient variable cost structure gives us greater flexibility to invest in new portfolios and debt types since we do not need to support the high fixed cost base of a collections operation.

Leading Position in the Attractive Defaulted Consumer Debt Purchase Market

Customer defaults are a structural component of unsecured lending. According to an industry report, the annual face value of accounts sold in the U.K. debt purchase market is expected to reach approximately £14 billion by 2015, including secondary and backlog sales, an 11% per annum increase from 2011. It anticipates the aggregate expenditure in the U.K. market to increase from £736 million in 2011 to £1,373 million in 2015, implying an average annual growth rate of approximately 17%. We are well placed to benefit from such growth. Our strong relationships with DCAs and debt sellers give us the flexibility to purchase in the segments where we expect the greatest returns without being constrained by our own operational capabilities.

We are a leader in the defaulted consumer debt purchase market. From January 2009 to October 31, 2012, we have invested £225.9 million in the acquisition of 88 purchased loan portfolios, with an aggregate face value of £5.6 billion, comprising approximately 3.5 million purchased accounts. In 2011 we were the largest acquirer of debt by face value and the largest acquirer of debt by purchase price in the U.K. according to an industry report. We believe we are a leading player in the financial services sector, which is the biggest segment and accounted for £12 billion of the £16 billion of new defaulted consumer debt created in the U.K. in 2011. We believe that our strong relationships with originators will allow us to benefit from the expected growth in the U.K. defaulted consumer debt purchase market. We believe that we have maintained a 10 to 15% share of the U.K. consumer debt purchase market in 2011 and 2012.

The Portuguese debt purchase market is a similarly attractive market, due to its early stage of development, significant stock of defaulted loans and an established regulatory framework. We believe that addressable defaulted consumer debt stock has increased 25% per annum since 2010. We believe we are the market leader in the purchase of unsecured defaulted consumer loans in Portugal and expect to continue to pursue attractive opportunities to acquire loan portfolios in Portugal.

Flexible Business Model with Collection through DCAs

Our business model combines our data capabilities with our unique partnering approach to collections. Using data analytics to determine the most efficient, effective and compliant collection strategy, we place accounts with members of our panel of specialist DCAs. Each DCA works with customers to develop a payment solution appropriate for a customer's individual circumstances, within parameters agreed with us. This provides us with scalable operations, and an efficient variable cost structure, which allows us to take on additional portfolio opportunities at low incremental overhead costs. Since our DCA partners operate on a fully contingent basis with commission rates fixed at the point of placement, 70% of our total costs relate to Collection Activity Costs and are largely variable. We have a relatively small fixed cost base with 90 full time employees as at December 31, 2012. Our total Core Collections grew from £22.5 million in the 15 months ended December 31, 2009 to £68.2 million in the year ended December 31, 2011, while our fixed costs increased from £4.8 million to £7.4 million during the same period. The quality of information we produce from our data assets and provide to our DCAs helps to improve accuracy of the forecasts and therefore reduces our costs as we can pay lower contingent fees on the accounts which are expected to yield higher returns with lower servicing efforts. We believe that DCAs accept these lower contingent fees because they trust our collection forecasts. This approach has reduced our Collection Cost Ratio from 29.1% in 2009 to 26.6% in 2011 and 21.7% in the ten months ended October 31, 2012. As at June 30, 2012, according to a market study, we had one of the lowest Collection Cost Ratios in the industry.

Leading Data and Analytics Capabilities

Since our inception we have been an innovator in building leading data assets and capabilities in the market, enabling us to make more informed underwriting and pricing decisions. Our key innovations have included the creation of UniView, a sophisticated single customer view system of data consolidation, the creation of bespoke interfaces to access publicly available data and the development of a proprietary interface with our U.K. credit bureau partners to make monthly updates to our internal customer database. In 2011 we partnered with Experian to launch the PCB, one of the U.K.'s first debt collection focused credit bureaus. We have one of the largest databases of defaulted customers in the U.K., with approximately 3.5 million purchased accounts in our own database and approximately 11 million records in the PCB. We believe this is a competitive advantage when assessing the risk and appropriate price for a loan portfolio at the time of purchase. In the four months to October 31, 2012, our large set of data assets permitted us to match on average 30% of customers in a typical portfolio sales file, forming the basis of accurate pricing. During the period from May 2011 to December 2011, prior to the development of the PCB, we were able to match on average 13% of customers in a typical sales portfolio, as compared to an average of 18% for the period from January 2012 to June 2012. Our fixed cost contract with a leading U.K. credit referencing agency enables us to trace each of our approximately 3.5 million purchased accounts every month at zero marginal cost. We believe this provides us with the lowest average cost of tracing in the industry at less than 0.1 pence per account traced per month. Our proprietary customer credit report allows us to identify the most up to date contact information and personal and financial circumstances for each customer. This in turn allows us to significantly improve our portfolio forecasting and to optimize our account placement while improving compliance and the customer experience. This also benefits our DCA partners, since they are better able to establish payment plans with customers using our data-enhanced accounts without incurring any data gathering and analysis costs themselves.

Diversified and Sustainable Origination Capabilities

We benefit from a well-known and trusted brand whose reputation we have built over time having purchased loan portfolios from over 55 different originators and over 80% of our loan portfolio purchases in the 12 months ended October 31, 2012 were from clients from whom we had purchased previously. Stable, long-term relationships with originators are important because they increasingly look to sell only to small panels of trusted partners with established compliance records and proven ability to complete transactions. We have developed strong relationships with all of the major vendors in our key markets and believe we are on the panel of the vast majority of large originators in the U.K. and Portugal, which provides us with access to 70% to 80% of all defaulted consumer debt portfolios sold in the U.K. In the ten months ended October 31, 2012, we acquired loan portfolios from 18 different vendors. In addition to the strength of our brand and platform, we benefit from one of the most experienced origination teams in the industry who have cumulatively invested over $1 billion in debt purchase transactions in the U.K. and Europe over the course of their careers.

We believe that our business model provides a competitive advantage in origination. By using a number of specialist DCAs to maximize our collections, we are not limited to purchasing portfolios that suit the capacities of specialized in-house collection operations. Our model has enabled us to purchase a number of large and diversified loan portfolios from originators who are looking to sell highly diverse accounts in a single transaction. We believe we are also the largest debt purchaser in the U.K. whose business model is well suited to leaving accounts *in situ*, i.e., loan portfolios whose accounts are already placed with DCAs. Unlike other debt purchasers, we will not remove the debt from the current DCA to place it with in-house collection teams. DCAs support our bids to acquire these portfolios since we leave the purchased loan portfolios in place at the DCAs upon acquisition. In addition, not recalling accounts minimizes migration risk and breakage rates, which we can price into the loan portfolio purchase. Since 2011, we have invested approximately £122 million in such *in situ* portfolios which constitutes 78% of our total purchased portfolios.

Disciplined Underwriting

We have an established record of achieving collections against our original underwriting projections, having collected 103% of our gross original underwriting cash targets from 2009 to October 31, 2012. To achieve this result, we apply a comprehensive, multi-stage approach to identify and acquire debt portfolios on which we expect to generate high returns. Our senior management is active in each stage of the origination and underwriting processes, regularly reviewing the origination pipelines to select attractive opportunities and taking part in three separate ‘‘gate’’ meetings providing approvals to pursue the opportunities before the submission of a final bid. In addition, our Portfolio Review Committee monitors Core Collections, updated ERC forecasts and operational campaigns focusing on any indicators of impairment. Any trends of underperformance are also identified by the Underwriting Committee to ensure these are reflected in the pricing models. Our implementation team conducts detailed and comprehensive due diligence of each portfolio being considered. Our account level pricing models are supported by our extensive data assets and analytics capabilities, including UniView, our proprietary database comprising all consolidated information available for any single customer, including their multiple outstanding accounts. This enables us to better understand the account characteristics and customers’ circumstances and ability to pay. This helps us forecast future collections based on performances for similar accounts from previously acquired portfolios. The approximately 11 million records in the PCB, including those in our internal database of approximately 3.5 million purchased accounts, allow us to identify and match a high number of accounts at underwriting, which helps us in the accuracy of our underwriting forecast and portfolio pricing.

Wealth of Management Experience and High Level of Skilled Staff

We are managed by a leadership team with extensive experience, and our six senior executives together have over 100 years of risk management, credit and finance experience. Our CEO, Tom Drury, has over 15 years executive leadership experience, including as Group Chief Executive of a FTSE 250 company. Our Executive Director, Zachary Lewy, is highly regarded as a leader in industry innovation and serves as chairman of our industry's trade association. Our CFO, Rob Memmott has over 15 years experience in senior financial leadership roles within private equity backed and listed companies. See ''Management—Arrow Global Limited—Senior Management.''

Data assets and analytics are at the core of the business, and this is reflected in our highly qualified and skilled staff, which we regularly train. Over 87% of our employees have a tertiary qualification and over 50% have a postgraduate or professional qualification. We believe that our low annual staff turnover of less than 10% in 2012 also contributes to our success.

Strategies

Our strategy is to leverage our differentiated business model and leading position in the U.K. and Portuguese debt purchasing markets to continue to selectively acquire portfolios that meet our stringent investment criteria to deliver attractive returns on portfolio purchases.

Build on Flexible Business Model and Our Strong Relationships with Originators

We have developed strong relationships with credit originators, which have enabled us to maintain our leading position within the markets in which we operate. We intend to build on our business model and strong franchise and reputation to further enhance our relationships with originators and develop strategic partnerships with them. We believe that this will help us yield new acquisition opportunities and further increase the volume of transactions we are able to complete outside of traditional auction processes. We anticipate this strategy will be supported by an increasing sale of *in situ* portfolios. We also expect to continue leveraging the flexibility provided by our business model to maintain our activities in Portugal and to continue to purchase small trial portfolios in new and adjacent sectors.

Further Enhancing Net Collections Through Innovation, Data Sophistication and Efficiency

We have a history of successful innovation, which we intend to continue in order to maximize our strengths and maintain our leading position in the debt purchasing market. When we were established in 2005, we imported the concept of a scalable business model with our partnering approach to collections from our U.S. parent and adapted it for the U.K. market, becoming the only major debt purchaser in the U.K. that performed all of its analytics in-house and leveraged an external network of specialist DCAs for collection activities. We have also introduced a number of other innovations, including the development in 2009 of the consolidated single-customer profile enabling optimized customer level collection strategies. We also moved away from portfolio level strategies through a segmentation methodology for separating individual accounts into value categories based on expected repayment value forecast, enabling us to develop the most appropriate and efficient servicing strategy for each individual account. In addition, in 2011, we launched the PCB, one of the U.K.'s first debt collection focused credit bureaus, aimed at increasing our match rates at underwriting and thereby helping us enhance regulatory compliance, underwriting accuracy and net collections.

We intend to continue to leverage these innovations and continuous enhancement of our data analytics capabilities to further increase the number of accounts that generate regular, stable cash flows, thus maximizing our Core Collections. Indeed, we believe that the better we get at analyzing customer data and identifying accounts with a high propensity to generate cash flows, the greater will be our efficiency and our resulting Net Core Collections on owned portfolios.

Maintain a Disciplined Portfolio Acquisition Process

Our systematic and disciplined approach to underwriting has allowed us to collect 103% of our gross original underwriting cash targets from 2009 to October 31, 2012. We intend to maintain this discipline while prudently investing in accretive portfolios to grow the business. We expect our business model to continue to support purchasing discipline by giving us greater control and flexibility to purchase the portfolios we assess may offer the strongest risk adjusted returns. The variability of our cost model will continue to support ultimate flexibility in purchasing discipline as we will not need to invest solely in order to maintain an in-house collection center when the portfolios available fail to meet our returns targets.

History

Arrow Global was established in 2005 as the subsidiary of Arrow Financial Services, a leading U.S. debt purchaser that had been founded in 1961 as a debt collection agency. Arrow Financial Services entered the debt purchase market in the 1990s and established and refined the model of placing accounts on a case-by-case basis with specialist agencies based on bespoke data handling and analytics. In 2004, Arrow Financial Services was acquired by Sallie Mae, a Fortune 500 financial services company, and in 2005 Zachary Lewy, our Executive Director, founded Arrow Global in the U.K. In 2006, we formed a joint venture with RBS Asset Management Limited to purchase defaulted consumer debt portfolios in the U.K., and in 2009 we were acquired by the RBS Special Opportunities Fund.

Under the RBS Special Opportunities Fund's ownership we have combined the operating model established by Arrow Financial Services with our local knowledge of the U.K. market to develop an innovative debt purchasing platform. Since the reorganization of our business in 2009 in connection with our acquisition by the RBS Special Opportunities Fund and management, we have grown to become a leading debt purchaser in Europe ranking joint number one in the 2012 annual OC&C industry index and being one of the largest buyers of defaulted consumer debt in terms of face value and purchase price of debt purchased, according to OC&C. In 2009 we expanded our portfolio purchasing activities to Portugal, becoming the first foreign financial institution purchasing debt portfolios in that country, and the only debt purchaser to gain access to credit reference agency data in Portugal.

Our business model focuses on the application across the business of our data platforms within a strong risk framework to ensure that we purchase portfolios, manage collections, forecast accurately and deliver results to within the risk appetite levels set by the board of directors of Arrow Global Guernsey Holdings Limited and the board of directors of Arrow Global Limited.

Risk Management Framework

The overall risk appetite of the business is set by the board of directors of Arrow Global Guernsey Holdings Limited and the board of directors of Arrow Global Limited and is embedded throughout the business through a structured risk management framework. See ''—Regulation and Compliance.''

We take a rigorous approach to identifying, assessing and reporting on risk. Our risk framework provides a consistent methodology for risk scoring across our business and drives the establishment of controls to mitigate identified risks.

There are five key risk committees that report to the CEO or the board of directors of Arrow Global Limited:

1. The *Audit Committee* receives a report from the external auditors of the Company every six months on the integrity of the Company's financial statements. The audit committee reviews the Company's financial and accounting polices and the annual accounts before approval by the board of directors. This committee also reviews the Company's system of internal controls and receives reports on behalf of the board of directors on the Group risk register, key compliance initiatives and significant findings (if any) from the agency audit program. The Audit Committee includes the Chairman, CEO, CFO, General Counsel, Director of Systems and Compliance and shareholder representative. It meets every six months.

2. The *Underwriting Committee* ensures an objective, rigorous and consistent approach to pricing and due diligence. Any trends of underperformance or outperformance are also identified by the Underwriting Committee to ensure these are reflected in the pricing models.

3. The *Portfolio Review Committee* monitors Core Collections, updated ERC forecasts and operational campaigns focusing on any indicators of impairment. It receives quarterly reports from the business on the performance and planned activity of portfolios that are underperforming against plan and determines an action plan for each identified portfolio. The Portfolio Review Committee focuses on portfolio performance, and the integrity of our ERC forecasts and makes recommendations to the board of directors for any adjustments to asset carrying values.

4. The *Compliance Committee* maintains a continuous focus on operational compliance through the review of compliance initiatives, complaint data and root cause analysis. The Compliance Committee tracks the implementation of actions resulting from servicer audits and provides a forum for reviewing the impact of regulatory changes. The Compliance Committee meets monthly and includes the CEO, CFO, General Counsel, Director of Systems and Compliance and additional heads of departments within the business.

5. The *Risk Committee* maintains a continuous focus on the assessment and mitigation of risks identified within the departmental risk registers. The Risk Committee also fosters an overall risk management culture throughout our business and manages the dissemination and maintenance of the inter-departmental Group risk register on a quarterly basis.

Data Platforms

The characteristics of the debt purchase industry provide a competitive advantage to participants with the strongest data assets and analytics capabilities. It is often the case for many defaulted accounts that the customer files contain inaccurate or incomplete information on the name, address or telephone number of a customer and the ability to achieve repayment for such accounts is complicated by an inability to locate and contact such customers. This situation is exacerbated in the U.K., which does not have a national identity system to enable the direct tracing of a customer using publically available data. A debt purchaser who is able to ''repair'' a customer's data in order to contact such a customer is therefore more likely to be successful in arranging repayment. Within the U.K., data processing restrictions mean that customers cannot be matched to a credit referencing agency database prior to the purchase of an account. As a result, debt purchasers face a significant data asymmetry in valuing an account prior to purchase. Using our data assets and analytics capabilities, we find opportunities for data improvement on a large portion of portfolios we purchase.

The ability to obtain current information about our customers is integral to being able to repair missing and incomplete data in order to locate customers, understand their circumstances and develop the most appropriate and sustainable collection strategy with the DCA to which we have assigned the collection. We update our customer information from external sources every month, and we have low cost and effective trace tools, with approximately 3.5 million purchased accounts being retraced and data appended each month for a data cost of less than 0.1 pence per account traced per month. As we grow and our scale increases, the cost per trace per account continues to reduce further. Our primary data gathering consists of constant, detailed data mining from multiple public, private and proprietary data sources. In addition to our data gathering capabilities, we are focused on intelligent account level analysis of information gathered to ensure the best possible understanding of each customer's credit profile and current circumstances. With this in mind, we developed a full suite of data assets and analytics tools to enhance the data in a way that it can be best applied across each of our activities along the value chain (including for collection placement). We constantly strive to enhance and further improve our data capabilities so that we increase our efficiency at various stages of the portfolio life (e.g. underwriting, placement and collections). We have increased the size of our data asset significantly, as our monthly import of trace data has increased from seven million records per month in 2010 to 60 million per month in 2012. The trace data includes names, address and contact information. Our monthly import of employment and home ownership records has increased from 3.8 million per month in 2010 to 15 million per month in 2012. We have also imported three million new telephone numbers in the last 12 months. We have also imported more than three million new telephone numbers in the last 12 months, compared with approximately one million in 2010. These increases have improved our value-based segmentation, enabling us to better predict the value of each account and better predict which DCA is best placed to service that account, thereby increasing successful collection rates.

UniView

We have developed proprietary processes, algorithms and interfaces to take monthly updates from various data sources available to us and load them into UniView, our proprietary database comprising all consolidated information available for any single customer, including their multiple outstanding accounts. UniView is prepared at the customer rather than account level and contains as many relevant data points about an individual as possible, including name, address, homeownership and accounts outstanding, among others. In contrast to off-the-shelf credit bureau products, our proprietary algorithms have been developed to identify previously missing customer information by taking an analytically based approach to identifying customers' correct current contact details and circumstances.

Each month, our algorithms filter millions of updated data fields to identify the variations that indicate a customer can now be found or has had a change in circumstances, increasing the effectiveness of collection activities.

We have developed a proprietary customer matching process, which is used to reconcile raw account level data received from multiple data sources and our existing database to individual customers. This process enables us to identify different accounts or customer data attributes belonging to the same customer and consolidate the data into a single customer view credit report stored in UniView.

Pilot Collections Bureau (PCB)

In 2011, we launched the PCB, one of the U.K.'s first debt collection focused credit bureaus, in collaboration with Experian, a global information service group that manages and operates the PCB platform. The PCB aggregates data submitted by a closed user group including parties such as ourselves, our DCA and credit originator partners, third party debt managers and insolvency practitioners. These contributors are from a wider constituency than that contributing to the credit bureau; for example, DCAs and third party debt managers contribute to the PCB, but not to the credit bureau. We maintain full discretion over memberships in the closed user group. The data aggregated in the PCB forms a database from which we can then receive matches to our own customers. The PCB is one of the various data sources we use to create our single customer view using UniView. Although the PCB only became operational in early 2012, it already contains approximately 11 million records enabling us to build a profile of each individual debtor. We use this enhanced customer-specific information to acquire new portfolios and to help our DCA partners achieve more efficient and compliant collection results from our customers.

We also consider the PCB an important compliance tool. The OFT debt collections guidance mandates that, if customers have appointed financial representatives (which are often third party debt managers), the creditors must work with those representatives. The PCB provides us with information on these customer representatives through a number of direct and indirect data feeds provided by the customer representatives and the DCAs who work with them. Furthermore, regulatory authorities aim to minimize any pressure generated by multiple DCAs collecting from the same customer. Regulatory authorities also want creditors to avoid customer mistraces where, for example, a notice letter from a DCA is sent to the wrong address. We believe our outsource model, combined with the PCB information capabilities, enable us to effectively place customer accounts and thus improve our performance in connection with these compliance objectives by working with the DCA that is already collecting from a customer, as well as by increasing the number of our customer information ''matches''.

The PCB allows us to match data to confirm whether a specific customer is already making payments on debts, either to us or another debt purchaser, which we can then factor into pricing. Since the PCB was launched, we have experienced an increase of 17 percentage points in our average match rate at underwriting, allowing for more accurate, de-risked pricing.

Credit market participants in the U.K. operate within the ''SCOR'' principles of reciprocity framework, which limits access to credit bureau data on customers until after the purchase of a portfolio. As a result of these restrictions, the PCB is a very important matching and data verification tool that expands our ability to analyze portfolios more effectively prior to the portfolio purchase and enhances collections compliance post-purchase. Similarly, post purchase, debt purchasers must work within the constraints of credit bureau data products and databases that are primarily designed to facilitate the assessment of customers for new credit, rather than identifying and collecting from defaulted customers.

Experian houses the data, matches records and is responsible for compliance with data protection regulations. Experian is not able to use the data for any purpose other than collections service with us. We do not see the underlying data but only matched information that is relevant to the compliant collections on matched accounts. The OFT, the ICO, the CSA and the DBSG have indicated their support for data sharing practices that enhance compliance and improve the customer's debt collection experience, and we believe that the PCB is a leading example of these positive data sharing practices.

U.K. Operations, Product and Service Offerings

Our U.K. service offering comprises the purchase and collection of underperforming debt portfolios and the management of receivables on behalf of originators for a fee. The execution of our business model has five key process steps: (i) debt portfolio origination; (ii) underwriting and pricing; (iii) implementation; (iv) account placement and collections; and (v) panel management.

Debt Portfolio Origination

Debt is typically sold either through one-off (*spot*) transactions (the most common method of sale) or through fixed price, fixed volume (*forward flow*) agreements which provide the purchaser with a supply of new accounts at regular intervals for a fixed period of time at a pre-agreed price. As a result of our relationships with debt originators, we have moved away from forward-flow agreements and are currently party to only one, because we believe that they may limit our flexibility and visibility on the collectability of debt portfolios in certain circumstances and can tie us to a price, that could not reflect potential returns achievable.

We have relationships with a number of the largest U.K. and European debt originators. Our origination team focuses on maintaining originator relationships and identifying opportunities. Our investment team maintains a live record of all portfolio opportunities we are pursuing, which it refreshes on a weekly basis with probabilities assigned by the origination team. This process provides us with better visibility of the debt coming onto the market. We source portfolio acquisitions from a network of over 55 originator relationships, comprising high street banks, credit card companies, telecommunications companies and others. The majority of our originator relationships generate recurring business, whereby we are regularly invited into the sale process. We are present on the debt purchaser panels of key originators in the industry, giving us access to sale processes conducted by them. In addition, these relationships will often allow us to pursue negotiated transactions outside of broad auction processes. Over 80% of our portfolio purchases in the 12 months ended October 31, 2012 came from originators from whom we had purchased debt in the past, and approximately 25% of our acquisitions since 2010 have been purchases outside of typical auction processes. We have also developed relationships with parties for secondary debt sales, and from 2010 to October 31, 2012 we purchased £1.7 billion in face value debt in the secondary market, for an aggregate purchase price of £52 million.

We can have the flexibility to purchase and take on a range of debt portfolio types from different asset classes. Our business model has allowed us to develop a leading competitive position in a number of important sub-segments of the market:

- ***In situ* portfolios:** *In situ* portfolios are those portfolios whose accounts are already placed with debt servicers. We believe we are better positioned than our competitors to process these portfolios as a result of our business model and strong relationships with the members of our DCA panel. Such transactions provide reassurance to debt sellers from a reputational risk and debt collector relationship standpoint as unlike other debt purchasers we typically do not remove the debt from the current DCA to place it with in-house collection teams. We believe that this gives us an advantage in the bidding process. In addition, not recalling accounts minimizes migration risk leading to lower breakage rates which we can price into the portfolio purchase to the benefit of the seller. Between January 1, 2011 and October 31, 2012, 2011, we have invested approximately £122 million in these *in situ* portfolios, which constitutes 78% of our total purchased portfolios.

- **Consortium acquisitions:** Where a lender is willing to dispose of a large portfolio of paying and non-paying debt, we have a track record of forming a consortium with our acquisition partners to provide a joint bid for the entire portfolio. This gives us the ability to optimize overall pricing to meet each partner's respective internal rate of return targets and be more competitive than most other bidders with a narrow asset type target and smaller funding capacity. In 2011 we and our strategic partners purchased a credit card portfolio with a face value of approximately £1 billion at a purchase price of £188 million of which our share had a face value of approximately £425 million for a purchase price of £39 million.

- **Diverse portfolios:** Our business model enables us to acquire large and diverse portfolios with varying account attributes and allocate each account to the most appropriate specialist DCA for collection. We can easily process significant volumes of accounts with a wide range of attributes, because we can access customer data and allocate accounts for collection with low incremental costs. In 2011, we invested over £80 million in large-scale strategic portfolio acquisitions, representing over £2 billion in face value across 1.8 million customer accounts.

- **Asset management services:** In 2010, we developed a partnership with a leading U.K. credit reference agency to target debt recovery asset management opportunities from non-traditional debt sellers and where the outright purchase of the debt assets was not achievable, because the originator is unable or unwilling to sell the debt or manage the debt collection internally. These contracts are typically for a fixed period of time, and in exchange for our management services, we earn a commission in relation to gross collections or a management fee. The accounts of the portfolios we manage are put through the same processes of account placement and collections as our owned accounts. We believe that these asset management services can lead us to future acquisition opportunities in new asset classes. In the ten months ended October 31, 2012, we managed a total face value of £2.0 billion in debt, which had earned £1.6 million of income from asset management.

Underwriting and Pricing

We apply a multi-stage approach to our underwriting and pricing process to identify and target those portfolios where we expect to generate high returns based on our underwriting models, data management techniques, analytical processes and servicing strategies. For the 12 months ended October 31, 2012, we had invested £89.6 million in debt with an aggregate face value of £1,226 million.

Underwriting Process

A typical portfolio acquisition involves a two-stage process, including an indicative bid and a final bid. On average, in 80% of the bidding processes in which we participate we are invited to participate in the second stage. In a typical year, we will assess between 80 and 100 portfolio acquisition opportunities, of which we will price between 40 and 50 portfolios and will ultimately acquire approximately 20 portfolios. Our underwriting process includes three separate committee approvals, or ''gates,'' before submission of a final bid:

Indicative Bid Stage: To commence a sale, a vendor typically supplies the interested parties with a tender document that includes debt portfolio information at an account level. These debt portfolios typically have high levels of distressed data. Our internal processes at the indicative bid stage involve the following three steps:

- **Preliminary assessment:** The preliminary assessment process generally lasts three days. Once we receive the tender document from the vendor, we perform a preliminary assessment of the portfolio as to the suitability of the asset class and the portfolio size. We then stratify the data to gain a better understanding of the composition and quality of the debt.
- **Indicative bid underwriting meeting (first gate):** Our CEO, CFO, CIO, Executive Director, Investment Manager, Commercial Director and Head of Analytics meet to evaluate the suitability of the portfolio based on the preliminary value segmentation assessment, the likely volatility of returns and the suitability of asset, the portfolio size and market position.
- **Indicative pricing:** Indicative pricing generally lasts between one and two weeks. During this time our analytics team prepares the estimated collection curves and assessment of likely variance using data from the seller file, our own database (including the PCB) and external data sources that can be accessed pre-purchase. Our operations team optimizes the servicing cost estimates to allow the production of a net cash flow forecast. Our Underwriting Committee then makes a decision on the indicative bid price based on net cash flow forecast and competitive considerations, following which we may submit our indicative bid.

Final Bid Stage: In the second bid stage, we work closely with the seller to conduct due diligence on the portfolio and apply advanced statistical methods supported by our proprietary modeling to price the portfolio based on our target Unlevered Net IRR. Our internal processes at the final bid stage involve the following four steps:

- **Pre-launch of final bid underwriting meeting (second gate):** Prior to beginning the second step of the bidding process, our CEO, CFO, CIO, Executive Director, Investment Manager, Pricing Analyst, Commercial Director, Head of Implementation, General Counsel and Head of Analytics meet to evaluate the rationale for continuing with a final bid and to conduct further portfolio analysis, including identifying important due diligence areas.
- **Assessment and final pricing:** Assessment and final pricing typically lasts between one and three weeks. The assessment and final pricing involves input from our underwriting, implementation, pricing, operations, finance and legal teams. Our underwriting and implementation teams undertake a detailed due diligence process, including originator site visits, and our underwriting team then uses the information gathered in that process to prepare the final pricing model with the pricing team. Our operations team refines collections strategy and Collection Activity

Cost assumptions, while our finance team develops and validates internal funding strategy and our legal and pricing teams negotiate the contract, following which the portfolio price is determined.

- **Pre-final bid committee meeting (third gate):** Prior to submission of the final bid, our pre-final bid committee meets to evaluate the opportunity, assess any operational issues with regard to taking on the portfolio that have been identified by our due diligence, and define portfolio pricing and bid strategy. This committee consists of our CEO, CFO, Executive Director, Head of Implementation, General Counsel, Head of Portfolio Management, Investment Manager, Commercial Director, Head of Analytics, Head of Compliance, Senior Manager Implementation and Head of Development.
- **Investment Committee:** If a final bid is successful, our Investment Committee meets to evaluate an investment memorandum put together by the teams involved in the underwriting process. Based on this memorandum, the committee determines whether to recommend the purchase to our Guernsey or U.K. board. This final committee is made up of the CEO, CFO, CIO, Executive Director, Commercial Director and a Principal Shareholder representative.

Pricing Model

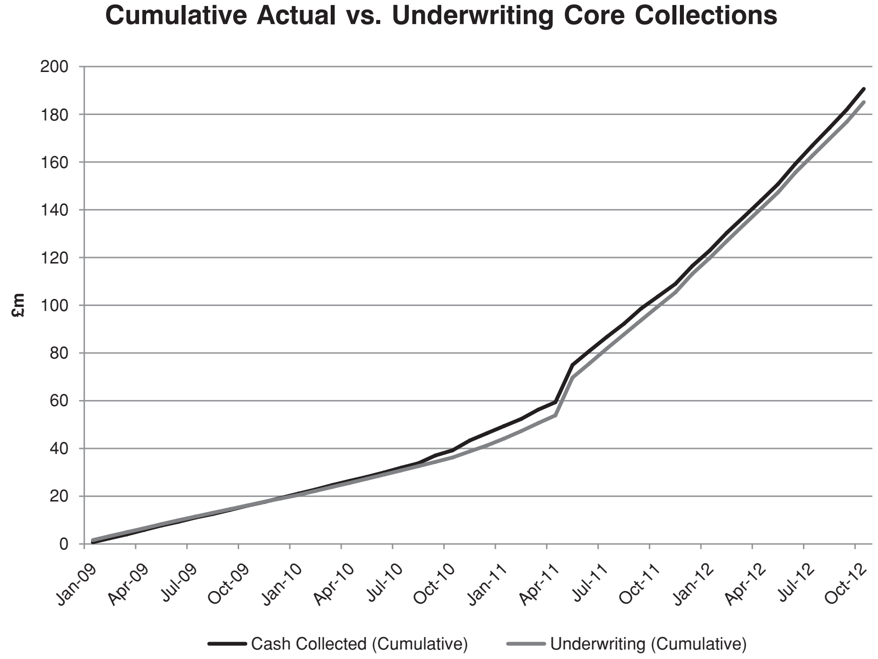
In pricing the portfolio, our initial analysis involves stratification of the data file received from the seller by key attributes, such as balance range, default history, age and home ownership, among other things. This analysis involves appending key attributes of data files received from the seller and matching them to our internal databases and to approximately 11 million records through the PCB. We then use this information to create our collection forecasts. In the four months to October 31, 2012, our large set of data assets permitted us to match on average 30% of customers in a typical portfolio sales file, forming the basis of accurate pricing. During the period from May 2011 to December 2011, prior to the development of the PCB, we were able to match on average 13% of customers in a typical sales portfolio, as compared to an average of 18% for the period from January 2012 to June 2012.

In order to estimate the potential value of future gross collections of a given portfolio as precisely as possible, our underwriting team segments accounts in the portfolio based on recently observed performance of a historic pool of a similar set of accounts. The model differentiates paying and non-paying accounts. Paying accounts are accounts which have shown at least one payment over the last three months or at least two payments over the last six months. For paying accounts, the model produces account level forecasts for monthly payment probability incorporating the amount of expected monthly payment, as well as a forecast of the expected settlement volume over time. The segmentation of non-paying accounts is undertaken on a case by case basis and highly depends on the characteristics of the portfolio under consideration.

The resulting gross collections curves for paying and non-paying accounts are then adjusted by expected servicing costs and the implementation timing assumptions, derived in consultation with our operations teams, to produce the final net cash flow forecast. This cash flow forecast is compared against other relevant data such as historical seller and agency reference points.

We have a record of achieving actual collections against our original underwriting forecast. From 2009 to 2012, our Core Collections on a total portfolio basis have closely followed our underwriting projections; during this period, our Core Collections were 103% of our gross original underwriting projections.

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



Implementation

During the portfolio acquisition, our implementation team addresses potential business risks related to taking on the portfolio post purchase. The more complex the portfolio purchased, the earlier this team becomes involved to ensure the correct pricing of implementation costs, the commitment of sufficient resources to successfully on-board the portfolio, the availability of capacity among our panel of DCAs, and that any compliance issues are identified upfront and flagged to the relevant stakeholders throughout the process. This process is organized into five stages which are applied to all types of portfolios and span all stages of the portfolio acquisition process:

- ***Underwriting:*** During the bidding and underwriting processes, our implementation team conducts a preliminary assessment of collections strategy and associated servicing costs, which is reflected in the indicative bid.
- ***Operational planning:*** The team then conducts operational due diligence during site visits together with the underwriting team, prepares an initial briefing on servicing cost assumptions and refines the collection strategy and servicing cost assumptions based on the due diligence assumptions.
- ***Data and systems:*** Once we have acquired a portfolio, our implementations team initiates the loading of data, starts the initial servicing of the portfolio and prepares an internal briefing pack in cooperation with various business teams. The briefing pack includes details of the portfolio strategy we want the DCA to adopt, operational procedures and settlement guidelines as well as a placement letter.
- ***Go live:*** This pack is then distributed to the various agencies with which accounts are placed and the agencies issue notices of assignment to account holders. Our implementation team then prepares another briefing pack in cooperation with business, compliance, customer, performance management, seller and agency teams.
- ***Implementation review and sign off:*** The portfolio oversight is then transferred to our performance management team, with a review report prepared three months after the acquisition of the relevant portfolio.

Account Placement

Our panel of over 60 DCAs has a diverse set of capabilities across the major debt segments, with a core panel of ten DCAs who account for approximately 69% of our Core Collections in the ten months ended

October 31, 2012. As a result, we can place a given segment of debt with debt servicers based on their specific strengths to optimize collections. Our panel of DCAs also allows us to purchase new portfolios and debt types without causing us delays, significant capital expenditure or new capacity build. In placing our accounts with DCAs, we focus on the activities that have the highest impact on net collections, including data analytics and tracing customers, understanding the customers' circumstances and designing with the DCAs the most suitable and sustainable collection strategy for each customer. In order to do this, we employ a value-based segmentation of all accounts, combining our data assets with our proprietary statistical methods prior to and during the account placement and collection process. Each DCA works with customers to develop a payment solution appropriate for a customer's individual circumstances within parameters agreed with us. Certain of our customers pay all or a portion of the balance owed in one settlement payment while most customers pay by entering into long-term repayment plans. For U.K. purchased loan portfolios, approximately 75% of Core Collections are derived from small, regular, annuity-like payment arrangements and the remaining 25% are on settlement arrangements, which can include a discount to the total face value.

Value-Based Segmentation

Our value-based segmentation employs statistical methods to assess and predict the expected value that each account will generate. In order to ensure that our accounts are accurately segmented, our first action post-purchase is to enhance the data quality through cleansing the accounts and formatting them for use in our global inventory. We then update customer information from already-accessed sources such as our internal database and the PCB, and source additional data from the U.K. credit reference bureau, which can only be accessed post-acquisition. Our first step post-purchase is to identify and isolate potentially vulnerable obligors, which we remove from the placed account pool and warehouse.

Our primary tool in assessing and predicting the expected value that each account will generate is the forecasting model. We employ a value-based segmentation model to segment individual accounts into sub-portfolios with similar attributes. The expected repayment value categories are classified as follows:

- **High:** Those accounts where strong Core Collections are expected, including triage placement for accounts where we believe that litigation may be an appropriate strategy.
- **Medium:** Those accounts where average collections are expected.
- **Low:** Those accounts where we anticipate that it will be difficult to extract Core Collections.

This approach to account placement also aids us in reducing Collection Activity Costs. For example, as the ''high value'' accounts are expected to yield more cash with lower servicing efforts, we are able to negotiate a lower contingent fee on such accounts without reducing the profitability and motivation of the debt servicers. Our value-based segmentation approach has helped contribute to a reduction in our Collection Cost Ratio from 29.1% in 2009 to 22.3% in the ten months ended October 31, 2012.

Our goal is to use our data analytics to increase the number of accounts in the ''high value'' category and thus maximize our Net Core Collections. Our management estimates that 80% of our total Core Collections come from high value accounts.

We perform the value-based segmentation repeatedly throughout the life of a portfolio and update it to reflect any new data received, including changes in customers' circumstances that may modify the expected value of an account. These changes can lead to re-allocation of accounts to enhance collection performance. We also share any updated information monthly with DCAs to help them manage their efforts and resources.

Systematic Account Placement and Recall

Unlike many of our competitors, we do not handle debt collection internally, but collect through our panel of over 60 various specialist DCAs.

Once value-based segmentation has been performed on a portfolio, the accounts are individually placed with different servicers according to their value segment. Before an account is placed with a new DCA, the account is re-run through the forecasting model, taking into account any new information identified to drive the new optimal allocation to a new DCA.

Where an account is matched through the PCB to a third party debt manager, insolvency practitioner or a DCA, then the placement process is adjusted to use those existing relationships. Customers who have been identified as already having a repayment program through a third party debt manager are placed with specialist agencies that coordinate all further collection activities and repayment schedules with the third party debt manager rather than the end customer. This approach is designed to minimize disturbance to the individuals and enhance collections compliance. If an account with a third party debt manager stops paying, the agency assesses whether the debt manager's relationship with the customer is still active and sends notice letters to the representative before moving the account back into a direct collections process.

Triage and Litigation

We put through our triage process customers who have been identified as having characteristics indicative of a high ability to pay and for whom we believe litigation may be an appropriate strategy. Any accounts identified as unsuitable for litigation due to customer circumstances at any time following selection are removed from the process. The triage process involves a pre-legal income and expenditure assessment, where appropriate, with the customers to agree a full payment, early settlement or repayment plan before we progress to other options, including litigation. Where the pre-legal negotiations are unsuccessful and our triage assessment has confirmed the customer is able to pay, the legal process involves a prescribed sequence of events, beginning with a notice letter to the customer to progress the payment; failing this we will issue proceedings. The decision to progress to the next step depends on an understanding of the customer's circumstances, the cost of each stage and the likelihood that the next step will lead to repayment. As of October 31, 2012, fewer than 7% of the accounts that we own or manage on behalf of third parties have had proceedings issued or other litigation activity commenced, and those accounts have resulted in approximately 12% of our Core Collections since 2009.

Once the process has reached enforcement, we have a number of methods at our disposal, including attachment of earnings orders, bankruptcy orders, charging orders, High Court Writs (for unregulated accounts), orders for sale, third party debt orders, or warrants of execution. Our decision whether to use these enforcement tools is subject to a comprehensive analysis of attributes and strict controls to mitigate any risk. No risk decisions are outsourced, and we use a combination of our in-house capabilities and a network of external legal professionals to carry out our triage and litigation processes. When we have any defended cases or substantive complaints, they are recalled and handled internally by our legal team.

DCA Panel Management and Compliance

We actively manage our panel of over 60 DCAs to both ensure collections efficiency and provide comfort to our originators regarding the compliance of our DCAs' collection activities. We have an established supplier audit framework and a separate panel management team which is independent from compliance and performance management. The Framework contains a structured program with which we test compliance with regulatory requirements and exposure to risks. All new DCAs are required to complete a structured due diligence process prior to their inclusion on our servicing panel which includes completion of a comprehensive questionnaire covering operations, financial profile, regulation and compliance. This is followed by a one day site visit to test, verify and report on due diligence findings. Once the DCA is approved, we perform an audit within six months after the initial placement of accounts. Existing members of our core DCA panel are audited annually with a full assessment of a pre-completed audit questionnaire followed by two full days review onsite. The audit test program covers key elements, including information security (including data protection compliance), cash management, workflow, complaints handling, call quality management, agent performance, recruitment and training. Tailored testing takes place for our accounts including a review of account loading processes through to lettering and dialler strategies. Areas of development and remediation are fed back to the DCA immediately following the onsite visit with a detailed audit report prepared that documents key risks and highlights the DCA's strengths.

The framework of our performance management is structured around three areas: contribution, compliance and culture. The contribution function is aimed at optimal DCA selection and performance, efficiency, data enhancement and litigation oversight. The compliance function targets risk identification and management, complaints management, quality assurance and policy reviews. The culture function is aimed at exporting our vision to our DCA network, facilitating use and sharing of data, encouraging collaborative and strategic relationships, data sharing and creating an environment where analytics are at the heart of collections. This framework is formalized in a master services agreement which outlines the procedures DCAs must follow.

Our performance management team monitors our panel of debt servicers by conducting a structured program of weekly and monthly performance reviews with all agencies currently involved in collections, including weekly calls and more detailed monthly on-site reviews. In addition, DCAs are provided with monthly cash targets and an expected collections yield derived from our forecast model. Each debt placement is split between multiple servicers, and the best-performing servicer is then awarded the greatest proportion from each debt allocation. For more information on our compliance policies and framework. See ''Regulation and Compliance—Our Compliance and Quality Control.''

For *in situ* portfolios, where accounts are already placed with DCAs, we provide the *in situ* DCA with refreshed data updates from our data analytics, such as address, telephone number, as well as insight into a customer's current credit position and ability to pay. We continue to provide these data updates to the DCAs as they become available. The DCA is then able to adapt its collection efforts on those accounts to reflect the customer's circumstances, improving its ability to negotiate increases in monthly payment, assess settlement offers and address real or potential breakage cases.

Third Party Debt Managers and Individual Voluntary Arrangements

We are committed to engage with any customer's representatives and utilize a combination of data provided by the PCB, DCAs and the originator to identify a customer's representative. We place accounts with established relationships with third party debt managers and IVA relationships with agencies that specialize in dealing with customer representatives. We are also committed to working with all charitable debt management companies.

Portuguese Product and Service Offerings

The portfolios we own in Portugal are overseen by the Commercial Director in Manchester in conjunction with local DCAs in Portugal. We apply our master servicing business model to our Portuguese portfolios in a way that is similar to our U.K. operations. We began purchasing portfolios in Portugal with an *in situ* portfolio in Portugal purchased from a long-standing multi-national corporate partner. This purchase enabled us to replicate our business model and develop a broad service relationship with local DCAs. The majority of debt that we have purchased in Portugal is originated by non-Portuguese entities operating in the country. We acquire the majority of our debt from multi-national corporations with whom we have strategic existing relationships. We also have a small amount of commercial loans in Portugal. While we focus on defaulted consumer debt portfolios, we have also acquired a number of defaulted commercial debt portfolios.

As a result of the regulatory and legal systems in Portugal, our approach to collections on our Portuguese portfolios focuses more on a legal collection route. A number of our Portuguese portfolios are comprised of post-legal judgment debts. As a result of the size and maturity of the Portuguese debt purchase market, we expect that our operations in Portugal will remain a supplementary part of our business. We intend to continue to invest in portfolios in Portugal in a controlled manner.

Compliance

Our business model is underpinned by a strong focus on compliance and information security that protects the reputation of debt sellers and ensures continuity for our customers. For further details of our compliance framework, see ''Regulation and Compliance—Our Compliance and Quality Control.''

Technology Infrastructure

We operate an outsourced, cloud-based information technology infrastructure which offers us cost advantages while also providing efficiency, scalability, security and reliability. These services and infrastructure are provided by a leading international ICT managed service provider that is certified ISO 27001, ensuring the highest standards of compliance and data security. This relationship is formally governed by a service-level agreement and we have a specified account manager and a client delivery manager. This outsourced IT infrastructure has allowed us to keep costs to a minimum, and in 2011 the cost of our service provider came to less than 1% of our Core Collections.

We are committed to maintaining high standards of data protection, client information and information security. We constantly aim to ensure that the latest security software and technologies are employed in conjunction with our service provider's security and compliance expertise. Our service provider provides full recovery services for all files. Furthermore, we have successfully passed the U.K. National Computing Centre's annual penetration test of our systems, which was conducted to evaluate potential external breach possibilities.

Our cloud based IT system allows us access to our systems via the internet from any location at any time while working sessions managed through our protected Citrix environment are stored and can be resumed even after a connection is lost. Thus, in the event of a loss of power, we would only experience a small delay in analyzing and placing new accounts. Live backups of all data are taken to ensure that the disaster recovery data is a direct replica of our working environment. This multi-site redundancy is the backbone of our disaster recovery plan and to date we have never suffered a significant IT system failure or network availability outage.

Litigation

We may from time to time become party to claims and lawsuits incidental to the ordinary course of our business. We are not currently involved in any legal or arbitration proceedings that are expected to have a material effect on our financial position and, to our knowledge, no such legal or arbitration proceedings are currently threatened.

Employees

As at October 31, 2012, we had 90 full time employees split among our offices in Manchester, Guernsey and a small London office that consists mostly of our origination team. Our Portuguese portfolios are overseen by the Commercial Director in Manchester in conjunction with local servicing agents. The quality of our data and analytics staff is critical to our success, and approximately 70% of our workforce has a degree qualification, approximately 50% has a postgraduate or professional qualification and about 87% a tertiary education. We have a rigorous and selective recruitment, training and retention strategy in order to maintain our high standards. All newly recruited employees are provided with a comprehensive induction program which includes comprehensive training in our legal and regulatory compliance policies. Employee performance is tracked through scorecards, which rate individual performance against our three core principles, the ''3 Cs'' of contribution, compliance and culture. Employee retention is articulated around three pillars of fair and attractive compensation, personal development and corporate engagement strategies, and in 2012 the attrition rate was 10%.

Properties

We lease our offices in Manchester and Guernsey and our office space in London to support our origination team.

Environmental Matters

We believe that we do not have any material environmental compliance costs or environmental liabilities.

REGULATION AND COMPLIANCE

Regulatory Framework

United Kingdom

Our industry is highly regulated. The regulatory environment for debt collection and debt purchase in the U.K. requires considerable investment in processes, know-how and management. Our management believes that the regulatory environment creates strong barriers to entry. Debt originators are increasingly careful in their selection of debt purchasers and DCA partners, and those who can demonstrate robust compliance processes are favored.

The debt collection and debt purchase industries in the U.K. are highly regulated by a number of different governmental bodies. The key entities and laws that govern our business are set out below.

OFT Licensing

Pursuant to section 21 of the Consumer Credit Act 1974, as amended to implement the European Consumer Credit Directive of 2008, among others, (the ''**CCA**''), a Category A CCL is required to carry on consumer credit business in the U.K. Following a clarifying amendment in 2008, ''consumer credit business'' is defined in section 189 of the Consumer Credit Act to mean any business carried on by a person so far as it relates to ''the provision of credit by him or otherwise his being a creditor under regulated consumer credit agreements.'' ''Creditor'' is defined under section 189 of the Consumer Credit Act 1974 to capture those who are creditors by virtue of an assignment. Therefore, debt purchasers are required to apply for and hold at least a Category A CCL issued by the OFT.

Arrow Global Limited, Arrow Global Guernsey Limited and Arrow Global Receivables Management Limited are currently the only Arrow Global businesses conducting consumer credit business. The license of our main trading company, Arrow Global Limited, was renewed in November 2011. An application to renew the license of Arrow Global Receivables Management Limited, submitted in September 2011, was approved in December 2012.

Arrow Global Management Limited and Arrow Global Guernsey Management Limited are dormant non-trading shell companies. Both applied for a new license in January 2012. The OFT granted licenses to both entities in December 2012.

The OFT expects licensees, such as Arrow Global Limited, to take responsibility for third parties they use (for example, third party debt collectors). We are also required to hold a Category F CCL for debt collection, as we collect debts on behalf of other companies within the Group and also in our asset management type arrangements. Obtaining this licence requires the completion of a Credit Competence Plan and performing these activities classifies us as undertaking high risk activities from an OFT perspective. In addition, under the CCA we must notify the OFT of any change of control (above a one-third threshold) and failure to do so may result in fines or other penalties.

The OFT has issued specific guidance called the Debt Collection Guidance (''**DCG**''), which sets out detailed standards that businesses that collect debt or carry out tracing activities must meet. The DCG sets out a number of overarching principles that businesses should adopt in any debt recovery activities:

- treating debtors fairly;
- being transparent when dealing with debtors;
- exercising forbearance and consideration, particularly towards debtors experiencing difficulty;
- acting proportionately when seeking to recover debts;
- establishing and implementing clear, effective and appropriate policies and procedures for engaging with debtors and other relevant parties; and
- establishing and implementing clear, appropriate and effective policies and procedures for identifying and dealing with particularly vulnerable debtors.

In addition to the above principles, the DCG has provided examples of the types of behavior that the OFT would regard as amounting to unfair or improper practices. Examples include:

- issuing communications to debtors that are unfair, inaccurate, unclear or misleading (whether directly or through the way they appear or as a result of information which they may omit to mention);
- falsely representing 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 debtors at inappropriate times of the day or too often, failing to allow for alternative, affordable repayment amounts when a reasonable proposal is made, or inappropriately threatening to disclose debt details to third parties);
- using deceptive or unfair methods (for example, sending demands to a person without establishing that he or she is the actual debtor);
- inappropriately or unfairly charging for debt recovery (for example, misleading debtors into believing they are liable for recovery charges, where the underlying credit agreement does not so provide);
- acting in a threatening or unclear way on debt collection visits (for example, visiting the debtor at times when it is understood that such debtor might be particularly vulnerable or entering a debtor's property without consent or an appropriate court order);
- continuing to collect statute-barred debt in an unfair way (for example, implying that such debt may be recoverable through the courts); and
- failing to have adequate procedures and processes to ensure that customer data is accurate.

Systematic failure to adhere to the standards in the DCG is likely to result in enforcement action taken by the OFT. This could involve the OFT seeking to suspend or revoke a CCL or seeking to impose ''requirements'' on a CCL. OFT requirements may compel a business to change its practices under threat of license revocation. A company that fails to adhere to any requirement imposed could face further sanction by way of a significant fine. The OFT undertakes the monitoring of license holders and may ask to perform an onsite visit to ensure that such businesses remain compliant. The OFT's resources tend to be targeted at those whom they consider the most likely to cause harm to consumers, and often the OFT's enforcement actions are in response to the volume of consumer complaints against a company made to regulatory or consumer advice agencies or any practice that is brought to their attention that causes a significant risk to the consumer. As at December 31, 2012, none of our subsidiaries had any application for a new or renewed CCL refused or denied or has had any CCL canceled (other than on its own initiative).

Consumer Credit Legislative Requirements

We are subject to or affected by numerous and detailed legislative requirements, principally the CCA, and the Unfair Terms in Consumer Contracts Regulation 1999, which 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 the initial credit provider, including our vendors. The principal aim of the legislation is consumer protection. These legal requirements obligate creditors to, among other things:

- provide customers with heavily prescribed credit agreement documentation at the outset;
- enable customers to obtain copies of credit agreement documentation;
- provide customers with prescribed forms of post-contractual notices;
- ensure an ''unfair relationship'' does not arise between a creditor and the customer; and
- ensure that their agreements do not contain unfair terms (and provides that any unfair terms are not binding on the customer).

A failure to comply with these requirements can make agreements unenforceable or can result in interest that has been charged and collected being required to be repaid.

The FOS acts as an independent adjudicator of the consumer complaints made to it. Chargeable claims attract a fee that is paid by the business, and a decision by the FOS is binding on the business, but not on the customer. Not all cases are determined to be ''chargeable;'' however, the fee in respect of a chargeable case is payable by the business, whether or not the business successfully defends such case. There are formal escalation procedures for a consumer to make a complaint to the FOS. However, the FOS, rather than necessarily making a decision on the basis of compliance with the law, makes its decision on the basis of what is fair and reasonable and good practice.

Data Protection

As a debt purchase business, we must comply with the requirements established by the Data Protection Act 1998 in relation to processing the personal data of our customers. The ICO is an independent governmental authority responsible for maintaining, upholding and promoting the best business practices and legislative requirements for processing personal data and safeguarding the information rights of individuals and their rights to access their personal data. Any business controlling the processing of personal data (that is, determining the purposes of the processing and the manner in which it is carried out), such as debt purchaser firms or debt collection firms, must maintain a data protection registration with the ICO for each of their companies.

We control the processing of significant amounts of personal data; therefore, we have a data protection registration for each relevant subsidiary that controls the processing of personal data and, a data protection policy, and we have established data protection processes, including an information security policy and a data retention policy, to comply with the requirements of the Data Protection Act 1998 and the applicable guidance issued from time to time by the ICO, such as the handling of Data Subject Access requests from individuals. The ICO is empowered to impose requirements through enforcement notices (in effect, stop orders), issue monetary fines and prosecute criminal offenses under the Data Protection Act 1998.

With regard to the PCB, Experian is responsible for housing the data and matching the records as well as for compliance with data protection regulations.

In 2011 we completed a voluntary ICO best practice data compliance audit in relation to our records management and requests for personal data. The audit concluded that our arrangements for data protection compliance provided a reasonable assurance that processes and procedures are in place and being adhered to. The audit identified eight recommendations for improvement. In 2012 the ICO conducted a follow-up audit which confirmed that six of the 2011 audit recommendations were complete and two were ongoing/partially completed. The follow-up audit concluded that, following the implementation of the 2011 recommendations, our arrangements for data protection compliance provide a high level of assurance that the processes and procedures in place are being adhered to.

In Guernsey, the Data Protection (Bailiwick of Guernsey) Law, 2001 (the ''**Guernsey Data Protection Law**'') regulates the holding and processing of information relating to living individuals that is held either on computers or (in some cases) in manual form. The Guernsey Data Protection Law gives individuals certain rights while requiring those who record and use personal information to be open about the use of that information and to follow sound and proper practices (the data protection principles). The office of the Guernsey Data Protection Commissioner is responsible for ensuring that data controllers process personal data in accordance with the law and that individuals are able to exercise their rights under the law. Data controllers are required to notify the Guernsey Data Protection Commission of the details of their processing and these details are published in the Register of Data Controllers. The processing of personal data without an entry on the register is an offence. Arrow Global Guernsey Limited is currently on the Register of Data Controllers in Guernsey.

Lending Standards Board's Lending Code

The Lending Code is a voluntary, but widely adhered to, code of practice relevant to lending and debt collection activities that was developed by the Lending Standards Board and is applicable to U.K. banks and lenders. Most U.K. originators and potential debt sellers are Lending Code subscribers and as such must ensure that their third party service providers also comply with the requirements of the Lending Code.

While we have no obligation to comply with these standards (as we are not lenders, we cannot be a subscriber to the Lending Code), we may be contractually required to by our debt originators, and therefore in general we choose to operate in accordance with the Lending Code's provisions. As the majority of our originators are banks, management believes that its approach in this respect is a good business strategy and promotes best practice compliance. Our adherence enables us to do business with a greater number of Lending Code-subscribers who, since recent amendments to the Lending Code, are required to ensure that third parties they use offer standards that meet the requirements of the Lending Code.

Other Regulatory Bodies

We are not regulated by the FSA, but by virtue of doing business with banks and other FSA regulated companies in the U.K., we are indirectly affected by certain FSA requirements. Various rulebooks issued by the FSA that is relevant to our U.K. operations includes the FSA Handbook of Rules and Guidance and Treating Customers Fairly (''**TCF**'') principle. We have in place a policy regarding TCF and have also initiated a TCF scorecard. See ''—Our Compliance and Quality Control—Performance Management: Operational Risk.''

Regulatory Change

As is the case across many financial services industries, the industry in which we operate is, and shall in the near future be, undergoing a number of significant regulatory changes. These affect us as well as our DCAs. In particular, the Financial Services Act which was enacted in December 2012, contains provisions that would enable the full transfer of the regulation of consumer credit businesses in the U.K. from the OFT to the FCA. In addition, the European Commission has recently proposed that substantial changes be made to the EU data protection regime.

The transition from the OFT to the FCA is expected to take effect in April 2014. The FCA will be primarily responsible for the regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets and will perform some of the functions currently performed by the FSA (which is the current U.K. regulatory body for the supervision of financial services other than consumer credit activities). More specifically, the Financial Services Act (a) enables the Treasury to make an order to the effect that the provision of consumer credit would fall under the scope of FSMA, and would therefore be regulated by the FCA and (b) confers a power on the Treasury to make further provision by order about the regulation of consumer credit. No drafts of such secondary legislation have yet been published, and it is not possible to accurately predict the effect that such legislative change may have on our business. It is possible that the requirements applicable to our industry will increase and that the FCA will have substantially greater powers than the OFT (for example, to issue greater fines, to undertake regular onsite visits, to ban activities or products being sold, and to issue public notices of investigatory action). In addition, it is likely that the compliance framework that will be needed to satisfy the FCA requirements will demand additional investment and resources in our compliance governance framework.

There is currently uncertainty relating to how companies holding a CCL granted by the OFT will become regulated by the FCA. It is likely that any company currently holding a CCL will be required to be authorized by the FCA. However, it is expected that transitional, or ''grandfathering,'' arrangements will be put in place in order to ease the transition from the one form of licensing to the other. At this stage it is not known how such ''grandfathering'' processes will work, including whether all CCL holders will automatically be ''grandfathered'' over to the FCA and what the process will be subsequently to obtain permanent FCA authorization. Furthermore, despite the ''grandfathering process,'' the application process for authorization or licensing under the FCA is likely to be more onerous than the current regime under the OFT, and could include additional requirements such as lodging detailed business plans.

On January 25, 2012, the European Commission published its draft EU Data Protection Regulation (2012/011 CD). The current form of the draft regulation proposes substantial changes to the EU data protection regime, involving the replacement of the current U.K. and Portuguese data protection laws by a directly effective EU regulation. This proposed EU regulation, if it became law in its currently proposed form, would impose a substantially higher compliance burden on us, including expanding the requirement for informed opt-in consent by customers to processing of personal data and granting customers a ''right to be forgotten,'' restrictions on the use of personal data for profiling purposes, disclosure requirements of data sources to customers and increasing the maximum level of fine for compliance failures from its current level in the U.K. of £500,000 to 2% of global turnover, among other requirements. The proposed EU regulation is at an early stage of the legislative process and may be modified prior to its adoption.

Portugal

Our activities purchasing non-paying loan portfolios from Portuguese credit institutions are generally not considered to constitute a regulated activity and, together with our engagements of local agencies, fall under the general rules of the Portuguese Civil Code. We must comply with the local law on personal data (Law 67/98), directly implementing an EU Directive (1995/46/EC). We must obtain approval by the local *Comissão Nacional de Protecção de Dados* (''**CNPD**''), the local data protection authority, on the purchase and processing of personal data. As at October 31, 2012, we have complied with such standards and received the relevant CNPD consents.

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 the revocation of a license, 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 compliance and quality control to be of the utmost importance, and we believe our compliance and quality control record is a competitive advantage.

Compliance is central to our operations. We are committed to ensuring compliant and fair processes both internally and across our network of specialized agencies. The laws and regulations under which we operate have at their core the fair treatment of all customers, which we have sought to embed within our day-to-day processes. Our staff is trained regarding the latest regulatory requirements while our goal is to not only meet these standards, but also to help shape them. We were a founding member of the DBSG's Continuous Improvement Program (''**CIP**''), an externally verified professional standard launched by the DBSG in partnership with PricewaterhouseCoopers. We have a clear governance structure and experienced senior management team 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.

Furthermore, our senior management team holds positions on industry bodies such as the DBSG (where our Executive Director is the Chairman) and the U.K. Credit Services Association (where our Chief Investment Officer is the Treasurer). Through these roles, our management can help play a key role in initiating, shaping and implementing industry-wide audit and compliance standards and data gathering initiatives.

In 2011 we successfully completed a voluntary ICO data protection compliance audit. We believe we are the only leading U.K. debt purchaser to have received this endorsement from the ICO. We believe that our focus on compliance resonates with debt originators and is essential to succeed in an increasingly regulated market.

Internal Compliance Structure

We classify the risks to our business in four broad categories: strategic risks relating to our longer term objectives such as the failure to match our capacity with demand, operational risks relating to our day-to-day business such as the outsourcing of our collections, external environmental risks relating to changes in the external environment in which we operate such as changes in regulation and information for decision making risks relating to the lack of appropriate information such as receiving inaccurate information leading us to misprice portfolios. In order to more closely match compliance responsibilities with the risks embedded within our different business functions of oversight, implementation and performance, we have designed a three-level risk and compliance structure: U.K. group risk overseen by compliance, business risk overseen by portfolio implementation and operational risk overseen by performance management. This structure is intended to ensure the appropriate separation of responsibilities and mitigates potential conflicts; for example, the audit of an external agency is performed by our internal performance management team instead of being outsourced to a body that has a commercial relationship with the agency.

Compliance: U.K. Group Risk

Led by the head of risk and compliance, our Oversight function provides an overarching compliance framework to address the range of risks we face. The Oversight function is responsible for developing, establishing, implementing and maintaining compliance policies and procedures including updating these procedures for changes in the regulatory environment. Management involves the Oversight function in operational decision making to ensure that future plans are compatible with current and emerging legislation and guidance. Within the Oversight function, our Compliance team handles complaints considered to be of above average complexity or where there has been a complaint made to an official body.

Our Oversight function is responsible for our interactions with external regulators, such as the OFT and the ICO. Both the OFT and the ICO have the right to audit us should they request to do so. As at October 31, 2012, neither has required an inspection of our organization on this basis; however, as a part of the renewal process for our CCL license, which was renewed in December 2012, we were subject to an OFT competency visit in October 2012. In 2011, the ICO invited us to participate in a voluntary best practice audit. Based on this audit, the ICO initially concluded that reasonable assurance could be given over compliance activities; however, following our implementation of the ICO's best practice recommendations, this was upgraded to a high assurance rating. We are subject to FSA compliance audits from debt sellers. During the 12 months ended October 31, 2012, we were audited twice by a major global bank, once each by two global banks and once each by two U.K. retail banks. No significant issues were identified during these audits. In addition to relationships with regulators, our Oversight function also coordinates any assessments by industry bodies, such as the CSA.

Our Oversight function is responsible for ensuring focus on continuous improvement and agrees appropriate controls with the Audit Committee to provide assurance over key business activities. In addition, our Oversight function is responsible for guiding our overall approach to TCF through defining relevant polices, delivering staff training and by developing a TCF scorecard. The TCF scorecard is intended to enable consistent and meaningful classification of management information received from suppliers within the context of the TCF criterion. The TCF scorecard is completed quarterly by all key servicers on the panel.

We have a defined escalation process for customer issues. An overarching communication structure among our Oversight, Implementation and Performance functions facilitates the communication of issues. This three-level framework is supported by a comprehensive suite of compliance policies and procedures, covering areas such as: aged debt, agency agreements, anti-bribery, anti-money laundering, complaints, compliance monitoring, credit reference agencies, data protection, document retention, education and training, general collections, information security, notices and copy documents, litigation, standard letters, statutory demands and bankruptcy, trace and vulnerable customers.

Portfolio Implementation: Business Risk

Our Implementation function, led by the head of portfolio implementation, oversees business risks. The Implementation function is responsible for vetting potential DCA partners and monitoring existing DCA partners for compliance through an annual audit process. This provides assurance that our DCA partners operate in a compliant manner and do not expose us to unknown risks.

We have established a Supplier Audit Framework to assess and evidence our DCAs' strengths, capabilities and risks through structured due diligence and auditing. We are able to assess a DCA's performance in terms of operations, controls and procedures in line with our master services agreements, portfolio instructions and regulatory guidance. Formal audits are conducted when taking on a new DCA, six months after the first placement and then annually thereafter. The structure program allows for the documentation of agency feedback via a pre-audit questionnaire, which is then tested and evidenced over a two-day on site audit.

Our Implementation function is also responsible for customer relations quality assurance at the first point of contact and also manages accounts when the customer has made contact with us before their account has been placed with a DCA. We have a dedicated team and comprehensive mechanisms in place to address customer complaints received by servicing partners or directly by us in a timely manner. When a complex issue that cannot be resolved on first contact arises, this is transferred from our Implementation function to our Compliance team within our Oversight function.

We actively work with our panel of DCAs in order to improve continually the quality of their customer services and reduce the number of complaints and have made systematic improvements in service quality. We require our partner DCAs to log details of all complaints made to them by debtors, whether during the course of a telephone call or in writing. The Arrow Global Services Agreement with Key Servicers requires DCAs to refer to us any contact with official bodies regarding Arrow Global accounts. Official bodies include Trading Standards, FOS, the ICO and the CSA as well as complaints that have been raised through litigation. Where appropriate, we will also take over the handling of a customer complaint initially received by a DCA and deal with the customer directly.

Our Implementation function is involved with ensuring that operational risk is a key part of investment decisions by helping to appraise investment decisions from a compliance perspective to ensure that we are not exposed to future issues from an investment decision. As a part of this decision making process, our Implementation function undertakes a one-time review of the TCF compliance of U.K. seller banks to reduce the risk of compliance issues arising through these counter party relationships.

Performance Management: Operational Risk

Our Performance function, led by the head of performance management, oversees operational risks and portfolio management. The Performance Management team is the first point of contact for DCAs and is responsible for directing their operations. DCAs process adherence is monitored through a range of measures including weekly conference calls, monthly onsite visits, quarterly business reviews and call listening. The Performance Management team uses the findings of the annual audit process (conducted by our Implementation function) to focus monitoring activities. The Performance Management team collates management information from DCAs to be used for the purposes of TCF monitoring.

Other Risk and Compliance Initiatives

We continue to embed a culture aligned with the principles of TCF through the compliance-driven initiatives outlined below.

DBSG Continuous Improvement Program (CIP)

The DBSG has established a CIP developed in collaboration with PricewaterhouseCoopers. We are an inaugural member of the CIP. The program's main objective is to aggregate all regulation and guidance related to the debt purchase and collection industry into a formal standard, covering the full credit management lifecycle from debt acquisition through to customer trace, collections and complaints resolution, as well as covering underlying IT controls and supporting administration. We were independently assessed against this standard by PricewaterhouseCoopers, who confirmed that we met or exceeded the standardized requirements in all of the 41 objectives.

Pilot Collection Bureau (PCB)

In 2011, we launched the PCB, one of the U.K.'s first debt collection focused credit bureaus, in collaboration with Experian, a global information service group that manages and operates the PCB platform. The PCB aggregates data submitted by a closed user group including parties such as ourselves, our DCA and credit originator partners, third party debt managers and insolvency practitioners. These contributors are from a wider constituency than that contributing to the credit bureau; for example, DCAs and third party debt managers contribute to the PCB, but not to the credit bureau. We maintain full discretion over memberships in the closed user group. The data aggregated in the PCB forms a database from which we can then receive matches to our own customers. The PCB is one of the various data sources we use to create our single customer view using UniView. Although the PCB only became operational in early 2012, it already contains approximately 11 million records enabling us to build a profile of each individual debtor. We use this enhanced customer-specific information to acquire new portfolios and to help our DCA partners achieve more efficient and compliant collection results from our customers.

We also consider the PCB an important compliance tool. OFT debt collections guidance mandates that, if customers have appointed financial representatives (which are often third party debt managers), the creditors must work with those representatives. The PCB provides us with information on these customer representatives through a number of direct and indirect data feeds provided by the customer representatives and the DCAs who work with them. Furthermore, regulatory authorities aim to minimize any pressure generated by multiple DCAs collecting from the same customer. Regulatory authorities also want creditors to avoid customer mistraces where, for example, a notice letter from a DCA is sent to the wrong address. We believe our outsource model, combined with the PCB information capabilities, enable us to effectively place customer accounts and thus improve our performance in connection with these compliance objectives by working with the DCA that is already collecting from a customer, as well as by increasing the number of our customer information ''matches''.

Internal Staff Training

We are continuously improving our comprehensive compliance training program to ensure every employee is educated to an appropriate level for their role. This combines classroom-training with computer based delivery to target content appropriately and where needed, to test formally employee knowledge and award accreditation.

Industry Engagement

We are actively engaged in setting compliance policies within the industry. Our senior team is well-represented in industry organizations that are leading the transition and migration discussions between industry trade bodies and the FCA and its representatives.

We have established relationships with governmental bodies, including the OFT, the ICO and the FOS, as well as trade organizations relevant to our industry, such as the CSA, the DBSG 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 U.K.'s only national association for companies providing debt collection services, acts as a trade body promoting professional industry standards, and the DBSG, which was formed as a subgroup of the CSA in 2004 to serve the fast-expanding debt sale market, 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 directorships on industry bodies such as the DBSG and the CSA whose members include debt originators, our senior management is playing a visible and key role in initiating, shaping and implementing industry-wide audit and compliance standards and data gathering initiatives on behalf of the CSA and the DBSG. Such initiatives underline our commitment to proactively managing reputational and compliance risk for all its business partners. For example, Arrow Global Limited, Arrow Global Guernsey Limited and Arrow Global Receivables Management Limited are members of the CSA, and therefore must abide by its Code of Practice. Our Executive Director was named the Chairman of the DBSG at its annual conference in September 2011, and represents the DBSG in this capacity on the Steering Committee on Reciprocity (the ''**SCOR**''), a forum on the rules relating to the sharing and availability of data also attended by key figures in the credit industry, including banks and other credit providers.

Compliance Track Record

We believe that compliance is integral for developing and maintaining relationships with originators. We place great importance on the fair treatment of customers and have an established record of low rates of complaints with regulators. No regulatory body has ever imposed sanctions on us and we have not, received any indication from the OFT of dissatisfaction with the manner in which we have conducted our business.

The OFT can take into account the number of complaints received about a business to decide if that firm remains fit to hold a CCL or may impose requirements that a business change its practices. If any complaint is found in favor of a customer by the FOS, we are required to pay the customer whatever sum the FOS determines is appropriate, but no fine or other penalty can be imposed by the FOS, although cases that reveal systemic problems with a business could be investigated by the OFT.

In 2011, we had a lower rate of complaints than any rates published by our competitors with an average of 0.6 FOS filed complaints received by us and our DCAs per 100,000 owned accounts in the 12 months ended December 31, 2011. For the 10 months ended October 31, 2012, we had an average of 1.1 FOS filed complaints received by us and our DCAs per 100,000 owned accounts.

Compliance and Risk Mitigation for Our Portuguese Portfolios

We do not have a dedicated internal compliance function for our portfolios in Portugal. Instead, compliance is maintained primarily through the use of a leading local law firm, PLMJ—A.M. Pereira, Sáragga Leal, Oliveira Martins, Júdice e Associados, Sociedede de Advogados, R.L. (''**PLMJ**'') that prepares the majority of our purchase and servicer contracts and we include clauses stipulating the regulations and guidance with which the DCAs must comply together with an ongoing audit program. Each DCA is required to warrant and where appropriate provide proof of its compliance with all relevant Portuguese legislation.

MANAGEMENT

Arrow Global Guernsey Holdings Limited

Arrow Global Guernsey Holdings Limited was incorporated on October 8, 2008 under the laws of Guernsey. Arrow Global Guernsey Holdings Limited is a holding company that consolidates all of the Group's activities. Its registered address and the business address of its directors is La Plaiderie House, La Plaiderie, St Peter Port, Guernsey GY1 1WG and its telephone number is +44 1481 712 680.

Directors

The members of the board of directors of Arrow Global Guernsey Holdings Limited are responsible for our principal operational decisions. It is composed of the following members:

Name	Age	Position
Mark Helyar	44	Director
Wayne Bulpitt	51	Director
Lindsey McMurray	42	Director

Mark Helyar, 44, currently serves as a director of the board of Arrow Global Guernsey Holdings Limited. He is an advocate at the Royal Court of Guernsey and the Managing Partner of Bedell Cristin Guernsey Partnership, an equity partner of Bedell Group and a managing director of Bedell Trust Guernsey Limited. He is currently a non-executive director of a number of regulated insurance companies and investment funds. He is the current Batonnier of the Guernsey Bar and a former voting non-states member on the Guernsey Public Accounts Committee. He holds a Bsc (Hons) in environmental sciences from the University of East Anglia Norwich and a post graduate law diploma from Nottingham Trent University.

Wayne Bulpitt, 51, currently serves as a director of Arrow Global Guernsey Holdings Limited and as executive director of Arrow Global Guernsey Limited. He is an owner of Active Group Limited, a provider of professional services in Guernsey and is also currently a non-executive director of a number of companies, primarily in the investment industry.

Lindsey McMurray, 42, currently serves as a non-executive director of the board of Arrow Global Guernsey Holdings Limited and the Head of RBS Equity Finance which manages the Special Opportunities Fund. She has over 15 years of experience as a private equity investor. Prior to RBS, she was a partner at Cabot Square Capital, Ltd. for six years. She is also currently a non-executive director of several other Special Opportunities Fund investments including Shawbrook Bank, Banca Sistema and is also a non-executive director of Intermediate Capital Group plc. She holds a degree in Accounting and Finance from Strathclyde University.

Board Policies

Pursuant to Arrow Global Guernsey Holdings Limited's Articles of Incorporation, the board of directors is made up of at least three directors. Arrow Global Guernsey Holdings Limited's board of directors considers and approves strategy, group financing, operating capital and budgets, audit reports, employee matters, operating results and other matters relating to our overall objectives.

We have established a comprehensive corporate governance framework with a number of committees supporting the board of directors to address various strategic and operational aspects of the business. We are also committed to maintaining an appropriate framework of internal controls to identify, assess, report and mitigate risks. We operate a formal risk management policy and have embedded risk management procedures in the business. See ''Regulation and Compliance—Our Compliance and Quality Control.''

Pursuant to a shareholders' agreement entered into on October 25, 2011 among Arrow Global Guernsey Holdings Limited, certain directors and managers, RBS Asset Management Limited, certain RBS entities (the ''**Institutions**'') and the Arrow Global Employee Benefit Trust (the ''**Shareholders' Agreement**''), as long as the Institutions hold any shares, RBS Asset Management Limited has the right to appoint one person as a non-executive Director of Arrow Global Guernsey Holdings Limited (an ''**Institutional Director**''). Lindsey McMurray currently serves as the Institutional Director. RBS Asset Management Limited is also entitled to require that any Institutional Director be appointed as a non-executive director of any subsidiary of Arrow Global Guernsey Holdings Limited and be able to constitute any committee or sub-committee of the board of directors of Arrow Global Guernsey Holdings Limited and any committee or sub-committee of the board of directors of any subsidiary.

Pursuant to the fiduciary administration services agreement between Bedell Trust Guernsey Limited, a company incorporated in Guernsey, and Arrow Global Guernsey Holdings Limited on April 15, 2011, Bedell Trust Guernsey Limited provides fiduciary administration services in Guernsey including providing persons to act as directors. Mark Helyar, a managing director of Bedell Trust Guernsey Limited, serves as a director pursuant to this agreement. In addition, Bedell Trustees Limited, a Jersey *situs* regulated fiduciary provider, is the trustee of the Arrow Global Guernsey Holdings Limited's employee benefit trust.

The board of directors of Arrow Global Guernsey Holdings Limited considers and approves the following actions:

- the undertaking or entering into of any transaction which, if Arrow Global Guernsey Holdings Limited were admitted to the Official List of the FSA and to trading on the London Stock Exchange's market for listed securities, would constitute a transaction falling within Class 1 or Class 2 (as defined in the Listing Rules);
- winding up or administration of Arrow Global Guernsey Holdings Limited or any member of its Group;
- declaration, making or payment of dividends or other distribution to shareholders;
- borrowings of money by any member of the Group and extension of guarantees by the Group;
- the creation, extension or variation of any mortgage or charge by Arrow Global Guernsey Holdings Limited;
- any sale or acquisition of any interest in any securities;
- adoption of annual budgets;
- substantial acquisitions or disposals of assets;
- acquisitions of undertakings and shares;
- lending of money by Arrow Global Guernsey Holdings Limited;
- commencement or settlement of material litigation out of the ordinary course of business;
- changes to accounting policies or auditors;
- appointment of directors and senior employees;
- changes to service arrangements;
- certain changes to profit sharing, bonus, incentive, share option or pension or life insurance schemes, and certain changes to Directors' remuneration; and
- the consideration, approval and entry into any material contract, and certain amendments or significant variations of terms of conditions of a material contract.

For subsidiaries subject to the U.K. Management Agreement dated July 21, 2009 between Arrow Global Guernsey Holdings Limited and Batchblock Limited (now Arrow Global Investments Holdings Limited), the undertaking of any of the matters set out above by Arrow Global Investments Holdings Limited or any of its subsidiaries requires consent by RBS Asset Management or prior approval by the Institutional Director.

Arrow Global Limited

Our day-to-day U.K. operations are run by Arrow Global Limited, a wholly-owned subsidiary of Arrow Global Holdings Limited, which is a wholly-owned subsidiary of Arrow Global Investments Holdings Limited.

Our senior management is effectively responsible for Arrow Global Limited's day-to-day operations and management, subject to the matters requiring approval from Arrow Global Guernsey Holdings Limited's board of directors described above. See ''—Board Policies.''

Senior Management

Arrow Global Limited's senior management consists of members of its board of directors and management. The registered address of our senior management is Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom and its telephone number is +44 (0)800 130 0169.

The table below sets forth the names, ages (as at October 31, 2012) and positions of the members of the board of directors of Arrow Global Limited.

Board of Directors

Name	Age	Position
Sir George Mathewson	72	Chairman and Non-Executive Director
Tom Drury	51	Chief Executive Officer and Executive Director
Zachary Lewy	38	Founder and Executive Director
Robert Memmott	39	Chief Financial Officer and Executive Director
Malcolm Jackson	37	Non-Executive Director

Sir George Mathewson, 72, currently serves as the chairman of the board of Arrow Global Limited. Prior to this, he served as the Chief Executive Officer at the Scottish Development Agency from 1981 to 1987. Sir Mathewson worked at 3i Group plc (formerly the ICFC) from 1972 to 1981. Prior to 1972, he spent five years in the United States as a Professional Engineer at Bell Aerospace Services, Inc. He joined The Royal Bank of Scotland Group plc in 1987 as a Director of Strategic Planning and Development. In January 1992, he was appointed as the Group Chief Executive Officer and following the acquisition of NatWest he was appointed as an Executive Deputy Chairman in 2000 and Chairman in 2001. In 1995 he served as the President of the International Monetary Conference. In 1999 he was knighted in the New Year honors list for services to economic development and banking. He completed degrees in mathematics and applied physics at St. Andrews University in 1961. He also holds several other positions in the U.K. and U.S., including Chairman of Stagecoach Group, Chairman of Shawbrook Bank Limited, Chairman of Tosca Asset Management and a board member of DBRS Limited.

Tom Drury, 51, currently serves as our Chief Executive Officer. Mr. Drury, who has over 15 years executive leadership experience, joined Arrow Global Limited in 2011 from Shanks Group plc, a FTSE 250 company, where he served as Group Chief Executive from 2007 to 2011. Prior to joining Shanks, he served for 11 years as managing director of Vertex Data Science Limited, a subsidiary of United Utilities Group plc. Mr. Drury began his career as a management trainee at Unilever, before joining PwC as a management consultant, specializing in financial management and business planning. Mr. Drury received his degree in PPE from Oxford University, and is an associate of the Chartered Institute of Management Accountants.

Zachary Lewy, 38, is our Founder and currently serves as our Executive Director. Mr. Lewy has 14 years of executive experience in debt purchase, debt collections and contact center management. He joined Arrow Global Limited in 2005 from Vertex, the business process outsourcing division of United Utilities (a FTSE 50 company) in the U.K., where he served as President of Vertex North America and was the global product owner for debt management. Mr. Lewy was co-founder and executive director of 7C Limited, a global call center operator, which was acquired by Vertex in 2002, and a consultant with Mercer Management Consulting. He holds a degree in economics and a certificate in applied and computational mathematics from Princeton University. Mr. Lewy currently serves as Chairman of the Debt Buyers and Sellers Group of the Credit Services Association.

Robert Memmott, 39, is our Chief Financial Officer. Mr. Memmott has been a corporate Chief Financial Officer for ten years, and has over 15 years of experience in senior financial leadership roles in private equity backed and listed organizations. Prior to joining Arrow Global Limited in 2011, Mr. Memmott worked with Leeds Bradford International Airport Limited as chief financial officer and company secretary. He also previously served as finance director of Alfred McAlpine, which he joined from Servisair plc, where he was chief financial officer. Mr. Memmott, who has significant experience both in raising and restructuring debt, and in mergers and acquisitions, qualified as a chartered accountant with KPMG in Manchester.

Malcolm Jackson, 37, a Non-Executive Director, joined the Royal Bank of Scotland in 2002 and is currently a Managing Director of RBS Equity Finance, which manages the Special Opportunities Fund. He has over 14 years of experience in banking and financial services. Prior to joining the Royal Bank of

Scotland, he was an Associate Director of structured finance at Mizuho International. Mr. Jackson began his career at PwC in tax and legal services and is a qualified Chartered Accountant. Mr. Jackson received his Bachelor of Laws and Bachelor of Commerce at the University of Otago.

Management

The table below sets forth the names, ages (as at October 31, 2012) and positions of the management of Arrow Global Limited.

Name	Age	Position
Andrew Birkwood	41	Chief Investment Officer
Georgina Hayes	39	Director of Systems and Compliance
Ian Madej	38	Commercial Director

Andrew Birkwood, 41, has over 15 years of experience in distressed asset investing. Prior to joining Arrow Global Limited, Mr. Birkwood spent ten years with CarVal Investors, where he served as a director with responsibility for managing investments in loan portfolios in the United Kingdom, Spain and Portugal. Before joining CarVal, Mr. Birkwood worked with Cargill Financial Markets plc, where he was a market risk analyst and accounting manager. Mr. Birkwood received his B.A. (Hons) in economics and econometrics from the University of Nottingham and is a Chartered Management Accountant. He currently serves as a Director and Treasurer of the Credit Services Association.

Georgina Hayes, 39, has 13 years of experience in the delivery of operational business systems, specifically in the area of risk and mapping statute and regulatory guidance onto business process. Prior to joining Arrow Global Limited, Ms. Hayes worked at LexisNexis where she ran a professional services team in the Practice and Productivity Management division focusing on the delivery of business change incorporating new IT systems to legal firms in the debt recovery arena and regulatory public bodies. Ms. Hayes holds an honours degree in Physics and a PhD in optical electronics from the University of Manchester.

Ian Madej, 38, currently serves as our Commercial Director. Prior to joining Arrow Global Limited, Mr. Madej worked for 12 years with N Brown Group plc, a large catalogue retailer, as a commercial and business recovery manager. Mr. Madej holds a B.A. (Hons) in economics from Manchester University and is a member of the Chartered Institute of Internal Auditors.

Committees

Our governance framework is designed to provide strong oversight across the business while supporting an exceptional growth trajectory.

Audit Committee

The Audit Committee includes the Chairman, CEO, CFO, General Counsel, Director of Systems and Compliance and Shareholder representative. It meets every six months. The Audit Committee receives a report from the external auditors of the Company on the integrity of the Company's financial statements, and reviews the Company's financial and accounting polices and the annual accounts before approval by the board of directors of Arrow Global Limited. This committee also reviews the Company's system of internal controls and the central risk log.

Remuneration Committee

The Remuneration Committee includes the Chairman, CEO and Shareholder representative. It meets once a year to determine the remuneration of senior management and to approve the overall remuneration approach for the Company.

Operational Committees

Compliance Committee

The Compliance Committee includes the CEO, CFO, General Counsel, Director of Systems and Compliance and additional heads of departments within the business. It meets monthly and reviews the Company's financial and accounting policies, its system of internal controls as well as both the complaint log and the compliance log. The Compliance Committee tracks the implementation of action resulting from servicer audits and provides a forum to review the impact of regulatory change.

Portfolio Review Committee

The Portfolio Review Committee meets quarterly and includes the senior management of Arrow Global Limited and heads of two departments. It reviews the performance and cash flow forecasts for all purchased portfolios and recommends any required changes to asset carrying values to the board of directors of Arrow Global Limited for approval.

Risk Management Committee

The Risk Management Committee meets quarterly and is comprised of the senior management of Arrow Global Limited and the department heads. It reviews and updates the Company risk register based on feeds from risk registers maintained by individual departmental heads. Each department maintains a risk log which is reviewed on an inter-departmental basis each quarter. Some members of the Audit Committee and the Compliance Committee attend these discussions to ensure that they are aware of the risks identified. A central risk log, compiled from individual departmental logs, is reviewed by the audit committee of Arrow Global Limited every six months. Each risk is allocated to a specific member of senior management who is tasked with managing or mitigating the risk.

Senior Management Compensation

The aggregate remuneration paid to the members of the senior management who were directly employed by Arrow Global Limited for the 12 months ended October 31, 2012 was £1.2 million.

We compensate our senior management with a base salary and a discretionary bonus, as determined by Arrow Global Guernsey Holdings Limited's board of directors. Each year, we ask that members of our senior management set annual objectives. Members of our senior management are normally entitled to bonuses equal to or greater than their salary if they meet these annual objectives. We have entered into employment agreements with members of our senior management which also include customary non-compete clauses.

In addition, we have entered into a separate agreement with Tom Drury, which would entitle him to additional compensation if an initial public offering or sale of the Company occurs before December 13, 2013.

Beverley Chadwick, our former Finance Director and Company Secretary left the business in 2011, and Matthew Buckman, our former Chief Operations Officer, departed in 2012.

Share Ownership

Management has a beneficial ownership interest in Arrow Global Guernsey Holdings Limited through its B, C and D Ordinary Shares. See ''Principal Shareholders.''

PRINCIPAL SHAREHOLDERS

Arrow Global Guernsey Holdings Limited's total share capital is divided into four classes of shares: 9,002 A Ordinary Shares, 1,000 B Ordinary Shares, 200 C Ordinary Shares and 50 D Ordinary Shares.

The A Ordinary Shares have voting rights and are 100% beneficially owned by the RBS Special Opportunities Fund. The B, C and D Ordinary Shares are owned by management and other related parties and Bedell Trustees Limited (as the trustee of the Arrow Global Employee Benefit Trust). The RBS Special Opportunities Fund is a fund owned by various third party investors and managed by RBS Asset Management Limited. The Royal Bank of Scotland plc has a minority interest in the RBS Special Opportunities Fund. As manager of the RBS Special Opportunities Fund, RBS Asset Management Limited has a fiduciary duty to act in the best interests of the RBS Special Opportunities Fund investors.

The A Ordinary Shares are the only shares that carry voting rights. The B Ordinary Shares and the C Ordinary Shares will rank *pari passu* in all respects with the A Ordinary Shares (including in respect of voting) on the occurrence of certain events and under certain pre-defined financial thresholds tied to the performance of the RBS Special Opportunities Fund's investment.

Our shareholders and their advisors continue to review strategic alternatives with respect to the Group, including the possible sale of the business. In 2012, our shareholders solicited invitations for bids from interested parties in a sale process but ultimately determined to retain their shareholding as bids failed to meet the shareholders' expectations.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

From time to time, we may enter into transactions with certain related parties in the ordinary course of business. These transactions include, among others, investment agreements, administration service agreements and other corporate service agreements. The following discussion is a brief summary of certain of our material arrangements, agreements and transactions with related parties.

Shareholders' Agreement

Arrow Global Guernsey Holdings Limited, certain of its management, our founder and executive director, RBS Asset Management Limited, Arrow Global Employee Benefit Trust and RBS Investments 1 Limited, acting as nominee for certain entities of the RBS Special Opportunities Fund, entered into an amended and restated Shareholders' Agreement on October 25, 2011 (the ''**Shareholders' Agreement**''). The Shareholders' Agreement, among other things, contains provisions related to the governance of Arrow Global Guernsey Holdings Limited. This agreement also contains information requirements, exit and proceeds sharing requirements and fee arrangements.

Board Composition

Pursuant to the Shareholders' Agreement, holders accounting for more than 50% of the A Ordinary Shares may appoint or remove a director of Arrow Global Guernsey Holdings Limited or any company in the Group. As long as the Institutions hold any shares, RBS Asset Management Limited has the right to appoint one person to be a non-executive Director of Arrow Global Guernsey Holdings Limited (an ''**Institutional Director**'') and to remove from office any person appointed and to appoint another person in his place. RBS Asset Management Limited is also entitled to require that any Institutional Director be appointed as a non-executive director of any subsidiary of Arrow Global Guernsey Holdings Limited and be able to constitute any committee or sub-committee of the board of directors of Arrow Global Guernsey Holdings Limited and any committee or sub-committee of the board of directors of any subsidiary.

Management of Business

The board of directors of Arrow Global Guernsey Holdings Limited considers the following actions of Arrow Global Guernsey Holdings Limited:

- the undertaking or entering into of any transaction which, if Arrow Global Guernsey Holdings Limited were admitted to the Official List of the FSA and to trading on the London Stock Exchange's market for listed securities, would constitute a transaction falling within Class 1 or Class 2 (as defined in the Listing Rules);
- winding up or administration of Arrow Global Guernsey Holdings Limited or any member of its Group;
- declaration, making or payment of dividends or other distribution to shareholders;
- borrowings of money by any member of the Group and extension of guarantees by the Group;
- the creation, extension or variation of any mortgage or charge by Arrow Global Guernsey Holdings Limited;
- any sale or acquisition of any interest in any securities;
- adoption of annual budgets;
- substantial acquisitions or disposals of assets;
- acquisitions of undertakings and shares;
- lending of money by Arrow Global Guernsey Holdings Limited;
- commencement or settlement of material litigation out of the ordinary course of business;
- changes to accounting policies or auditors;
- appointment of directors and senior employees;
- changes to service arrangements;

- certain changes to profit sharing, bonus, incentive, share option or pension or life insurance schemes, and certain changes to Directors' remuneration; and
- the consideration, approval and entry into any material contract, and certain amendments or significant variations of terms of conditions of a material contract.

For subsidiaries subject to a separate management agreement, consent is required before undertaking certain matters set out above. Pursuant to the U.K. Management Agreement dated July 21, 2009 between Arrow Global Guernsey Holdings Limited and Arrow Global Investments Holdings Limited, the undertaking of certain matters set out above by Arrow Global Investments Holdings Limited or any of its subsidiaries requires consent by RBS Asset Management or prior approval by the Institutional Director.

Transfers and Transfer Restrictions

Share transfers are subject to restrictions in the Articles of Incorporation of Arrow Global Guernsey Holdings Limited as adopted by special resolution on October 25, 2011. Any transfers are subject to the prior written consent of the holders of a majority of the A Ordinary Shares. The parties to the Shareholders' Agreement have agreed to work towards a sale or initial public offering of the Arrow Global Guernsey Holdings Limited.

Fees

Arrow Global Guernsey Holdings Limited will pay to RBS Asset Management Limited (i) a fee of £30,000 per year plus expenses and applicable VAT for the services of the Institutional Director; and (ii) a Monitoring Fee of £25,000 per year (reduced pro rata for periods of less than a year) plus applicable VAT. Each of these fees is index linked.

Drag Along Rights

The Shareholders' Agreement incorporates certain provisions from Arrow Global Guernsey Holdings Limited's Articles of Association, including that if a shareholder sells shares that carry more than 50% of the voting rights of Arrow Global Guernsey Holdings Limited, then it has the right to require all other holders to transfer all of their shares within one business day of the demand being made in writing by the calling shareholder.

Interim Loan

Due to an uncertainty related to scheduling, we acquired funding on October 29, 2012 from RBS Asset Management Limited through a loan agreement with a principal aggregate amount of £11,000,000 at a rate of 18% per annum. We repaid the loan in full on November 2, 2012 with proceeds from our Existing Revolving Credit Facility.

Portfolio Purchases

From time to time we purchase portfolios from banks that may include one of our directors as a board member.

DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the expected terms of the New Revolving Credit Facility to be entered into on the Issue Date and the Intercreditor Agreement to be entered into on the Issue Date. There can be no assurance that the terms of the New Revolving Credit Facility and the Intercreditor Agreement will not differ from the terms described below. Terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the New Revolving Credit Facility or the Intercreditor Agreement, as applicable.

New Revolving Credit Facility

On the Issue Date, we will enter into the New Revolving Credit Facility. The New Revolving Credit Facility will provide for £40 million of committed financing (the ''**Total Commitments**''), which will be available for utilization by way of the drawing of cash revolving loans, and by way of ancillary facilities, from and including the date on which all conditions precedent under the New Revolving Credit Facility are satisfied, until the date falling one month prior to the Termination Date (as defined below).

The New Revolving Credit Facility will also provide for the Total Commitments to be increased by up to £15 million on an uncommitted basis (the ''**Increase Amount**'').

Borrowings under the New Revolving Credit Facility will be used to finance or refinance the general corporate and working capital purposes of the Group, including for the purposes of certain Permitted Acquisitions (as described below), but not for certain other matters, including (without limitation) the repayment of any of our other indebtedness, payments of dividends, the payment of transaction costs, the provision of backstop, guarantee, cash collateral or other support in respect of facilities existing on the Issue Date, or for capital expenditure in excess of £250,000 per year.

The original borrower under the New Revolving Credit Facility will be Arrow Global Limited. The New Revolving Credit Facility will be guaranteed by the Guarantors and the Issuer. The facility agent (the ''**Agent**'') under the New Revolving Credit Facility will be The Royal Bank of Scotland plc.

Ancillary Facilities

Subject to a limit of £5 million for the use of ancillary facilities under the New Revolving Credit Facility, a lender (or its affiliates) may make available to a borrower under the New Revolving Credit Facility all or part of that lender's undrawn commitment in the New Revolving Credit Facility by way of ancillary facilities such as overdraft facilities, guarantees, bonding, documentary or stand-by letter of credit facilities, short-term loan facilities, derivatives facilities and foreign exchange facilities, subject to the satisfaction of certain conditions precedent.

Clean Down

The New Revolving Credit Facility will contain an annual minimum five business day net clean down of all utilizations under the New Revolving Credit Facility to 90% of the Total Commitments. At least three months must elapse between two such clean down periods.

Repayments and prepayments

The New Revolving Credit Facility will terminate on the fifth anniversary of the date of the New Revolving Credit Facility (the ''**Termination Date**'') and any amounts still outstanding at such date must be repaid on that date.

Subject to certain conditions, we may voluntarily prepay our utilizations and/or permanently cancel all or part of the available commitments under the New Revolving Credit Facility by giving five business days' (or such shorter period as may be agreed) prior notice to the Agent (provided that such prepayment or cancellation must be, if in part, in a minimum amount of £1 million (or its equivalent) and in an integral multiple of £250,000 (or its equivalent).

Amounts repaid may (subject to the terms of the New Revolving Credit Facility Agreement) be reborrowed.

In addition to voluntary prepayments, the New Revolving Credit Facility requires mandatory cancellation and, if applicable, prepayment in full or in part in certain circumstances, including:

- with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the New Revolving Credit Facility;
- subject to certain criteria, from the proceeds of Asset Dispositions (as defined under ''Description of the Notes'') and from any net insurance proceeds;
- amounts of additional shareholder funding provided by way of an Equity Cure (as defined below); and
- amounts required in connection with the Note Purchase Condition (described below).

Upon the occurrence of (i) a Change of Control (see below) or (ii) the sale of all or substantially all of the assets of the restricted group whether in a single transaction or a series of related transactions, the New Revolving Credit Facility shall be cancelled and all outstanding utilizations and ancillary outstandings (together with accrued interest and all other accrued amounts) shall become immediately due and payable.

A ''**Change of Control**'' means:

(a) the occurrence of a Change of Control Triggering Event (as defined under the section entitled ''Description of the Notes''); or

(b) the RBS Special Opportunities Fund A LP., RBS Special Opportunities Fund B LP., RBS Special Opportunities Fund C LP., RBS Special Opportunities Fund D LP., RBS Special Opportunities Fund Employee LP., Javlin Partners LLP., Dominion Pension Plan Trustees (Jersey Limited) as trustee of the RBS (Peter Nielsen Pension Plan) and Merklands Limited (each an ''**Original Investor**'') or any funds controlled by an Original Investor cease directly or indirectly to control the Parent (where ''control'' means (i) prior to a flotation, the power to cast more than 50% of the votes at a general meeting of the Parent, to appoint all or the majority of the directors of the Parent or to give directions as to operating and financial policies of the Parent, or the holding beneficially of more than 50% of the issued share capital in the Parent, and (ii) after a flotation, the power to cast more than 35% of the votes at a general meeting of the Parent or the holding beneficially more than 35% of the issued share capital of the Parent); or

(c) following a flotation, any person or group of persons acting in concert gains direct or indirect control of the Parent, or a person or group of persons acting in concert acquires, directly or indirectly, more issued shares and/or voting rights in the Parent than are controlled or held (directly or indirectly through any person beneficially) by the Original Investor or any funds controlled by the Original Investor; or

(d) the Parent ceases to hold directly 100% of the entire issued share capital in Arrow Global Investments Holdings Limited; or

(e) the Parent ceases to hold directly 100% of the entire issued share capital in Arrow Global Debt Limited.

Interest and Fees

The New Revolving Credit Facility will initially bear interest at a rate per annum equal to LIBOR or EURIBOR (as applicable) plus certain mandatory costs and a margin of 4.25% per annum, subject to a margin ratchet based on the ''LTV Ratio'' at each quarter end.

''**LTV Ratio**'' means, in respect of any date of calculation, the aggregate indebtedness of the Group less cash and cash equivalent investments held by the Group as of such date, divided by ''**Gross ERC**'' (defined as the aggregate amount of estimated remaining collections projected to be received by members of the Group from all portfolio accounts owned by members of the Group during the period of 84 months, as calculated by the Portfolio ERC Model, as at the last day of the month most recently ended prior to the date of calculation).

We are also required to pay a commitment fee, in arrears on the last day of each financial quarter during the availability period, on available but not utilised or not cancelled commitments under the New Revolving Credit Facility at a rate of 40% of the applicable margin per annum on the undrawn portion of each lender's commitment under the New Revolving Credit Facility.

We are also required to pay fees related to the issuance of ancillary facilities and certain fees to the Agent, the Security Agent and the mandated lead arrangers in connection with the New Revolving Credit Facility.

Security and Guarantees

The New Revolving Credit Facility will be guaranteed irrevocably and unconditionally, subject to certain customary limitations and agreed security principles, on a joint and several basis, by the Parent and Arrow Global Investments Holdings Limited, the Issuer, Arrow Global Holdings Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited and Arrow Global Limited (being the Parent's subsidiaries that guarantee the Notes).

The New Revolving Credit Facility Agreement also provides that (subject to certain customary limitations and the agreed security principles):

- on the Issue Date and at all times after the Issue Date, the aggregate turnover, aggregate gross assets (excluding goodwill) and earnings before interest, tax, depreciation and amortization of the Guarantors must represent not less than 85% of the Group's revenue, gross assets (excluding goodwill) and Consolidated EBITDA (as defined in the New Revolving Credit Facility);
- any member of the Group that becomes a guarantor under the Notes must become a guarantor under the New Revolving Credit Facility and grant security as the Agent may require; and
- a member of the Group that has earnings before interest, tax, depreciation and amortization calculated on the same basis as Consolidated EBITDA (but on an unconsolidated basis and excluding intra-Group items and investments in Subsidiaries of any member of the Group) representing 5% or more of Consolidated EBITDA of the Group calculated on a consolidated basis or has gross assets or turnover (each on an unconsolidated basis excluding intra-Group items, goodwill and investments in Restricted Subsidiaries of any member of the Group) representing 5% or more of the gross assets or turnover of the Group calculated on a consolidated basis (excluding goodwill) must become a guarantor under the New Revolving Credit Facility and grant security as the Agent may require, within 30 days.

The New Revolving Credit Facility will benefit from the same original security as the Notes. See ''Description of the Notes—Security.''

Covenants

The New Revolving Credit Facility will contain customary information and negative covenants (including certain restrictive covenants that replicate those contained in the Indenture, and the Note Purchase Condition and restriction on making acquisitions, each described in more detail below), subject to certain agreed exceptions and materiality carve outs.

The New Revolving Credit Facility will also require the Issuer, each borrower and each guarantor under the New Revolving Credit Facility to observe certain customary affirmative covenants, subject to certain agreed exceptions and materiality carve outs.

In this respect, our financial and operating performance will be monitored by two financial covenants, which require us to ensure that:

- the LTV Ratio, does not exceed 0.75:1; and
- the SS LTV Ratio does not exceed 0.25:1, where ''**SSLTV Ratio**'' means, in respect of any date of calculation, the aggregate amount of all obligations of members of the Group under the New Revolving Credit Facility and any Hedging Agreement at that time, less cash and cash equivalent investments held by the Group at such date, divided by Gross ERC.

These financial covenants will be tested quarterly.

We will have the right to cure any breach of these financial covenants by the provision of additional shareholder funding (within 15 business days after the date of delivery of financial statements and quarterly compliance certificate evidencing such breach) (the ''**Equity Cure**''), subject to certain restrictions, including (i) that the provision of the additional shareholder funding does not cause a Change of Control; (ii) the amount of the additional shareholder funding may not exceed the amount required to cure the breach; (iii) the cure may be effected no more than two times during the life of the

New Revolving Credit Facility and not in two consecutive quarters; and (iv) the proceeds of the additional shareholder funding must be applied in permanent cancellation and, if applicable, prepayment of the New Revolving Credit Facility.

The Note Purchase Condition

The New Revolving Credit Facility will allow members of the Group to repay, purchase, defease or redeem (or otherwise retire for value) or acquire any of the Notes, refinancing debt permitted under the New Revolving Credit Facility (''**Replacement Debt**'') and debt with a maturity of more than one year (''**Term Debt**''), subject to:

- the aggregate principal amount of all Notes, Replacement Debt and Term Debt prepaid, purchased, defeased, redeemed (or otherwise retired for value) or acquired since the Issue Date not exceeding 35% of the aggregate principal amount of the Notes issued on the Issue Date (the ''**Original Debt**'');
- no default continuing or resulting from the prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition; and
- the Parent has demonstrated it would have been in compliance with the financial covenants as at the most recent testing date (on a pro forma basis assuming the relevant prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition had been made on the first day of the testing period).

To the extent that members of the Group make prepayments, purchases, defeasances, redemptions (or other retirements for value) or acquisitions that in aggregate exceed 35% of the aggregate principal amount of the Original Debt but in aggregate are no greater than 50% of the aggregate principal amount of the Original Debt, the Parent is obligated to match the prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition by a simultaneous cancellation and, if necessary, repayment of an amount under the New Revolving Credit Facility in order that the New Revolving Credit Facility is reduced by the same proportion as the debt so repurchased relative to aggregate principal amount of the Original Debt.

In the event that members of the Group make prepayments, purchases, defeasances, redemptions (or other retirements for value) or acquisitions that in aggregate exceed 50% of the aggregate principal amount of the Original Debt, the Parent is obligated to match the prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition by a simultaneous cancellation and, if necessary, repayment of an equal amount under the New Revolving Credit Facility in order that the New Revolving Credit Facility is reduced by the same amount as the debt so repurchased (on a pound for pound basis).

Permitted Acquisitions

The New Revolving Credit Facility may be used for the general corporate and working capital purposes of the Group, including for the purposes of funding Permitted Acquisitions, which include acquisitions of businesses or portfolio accounts where certain conditions are met, provided that:

- no event of default is continuing on the closing date for the acquisition or would occur as a result of the acquisition;
- in the case of a business acquisition, to the extent that the aggregate consideration for other acquisitions made since the most recent quarter date exceeds 30% of the budgeted amounts for acquisitions for the relevant year, compliance with financial covenants (on a pro forma basis as if the acquisition had been made on the first day of the relevant testing period);
- aggregate amount of Gross ERC attributed to all non-U.K. portfolio accounts does not exceed 20% of Gross ERC (on a pro forma basis taking into account the relevant acquisition) including a maximum 5% which can be Non-Portugal, Non-U.K. related debt;
- aggregate amount of Gross ERC attributed to all non-consumer portfolio accounts does not exceed 5% of Gross ERC (on a pro forma basis taking into account the relevant acquisition);
- in the case of a business acquisition, the acquired company/business is incorporated in the United States, Canada or the European Union, and such acquired Company, business or undertaking is engaged in business which is substantially similar, related to, ancillary or complementary to that carried on by the Group in the debt purchase and debt collection industry and the acquired

company/business (if a Material Company) becomes a guarantor under the New Revolving Credit Facility and grants security (within 30 days) and the relevant acquisition enhancing the Consolidated EBITDA of the Group for the next full three financial years;

- in the case of a portfolio accounts acquisition, the consideration does not exceed: at any time until and including the third anniversary of the Issue Date, 7.5% of Gross ERC (on a pro forma basis taking into account the relevant acquisition); and thereafter, 5% of Gross ERC (on a pro forma basis taking into account the relevant acquisition); and
- the acquisition referred to in ''Summary—Recent Development—Preliminary Financial Results.''

Events of default

The New Revolving Credit Facility will contain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including a cross-default with respect to an Event of Default under, and as defined in, the Indenture, the occurrence of which would allow the lenders to (i) cancel the Total Commitments and/or ancillary commitments; (ii) declare that all or part of the loans (plus accrued interest and all other accrued amounts) are immediately due and payable; (iii) declare that all or part of the loans are payable on demand; (iv) declare any of the amounts (or cash cover in relation to those amounts) outstanding under the ancillary facilities to be immediately due and payable; (v) declare any of the amounts (or cash cover in relation to those amounts) outstanding under the ancillary facilities to be payable on demand; and/or (vi) exercise or direct the Security Agent to exercise any of its rights and remedies under the New Revolving Credit Facility Agreement and other related finance documents.

Governing law

The New Revolving Credit Facility and any non-contractual obligation arising out of or in connection with it will be governed by and construed and enforced in accordance with English law although the restrictive covenants, which are included in the New Revolving Credit Facility and largely replicate those contained in the Indenture, will be interpreted in accordance with the law of the State of New York (without prejudice to the fact that the New Revolving Credit Facility is governed by English law).

Intercreditor Agreement

In connection with their entering into the New Revolving Credit Facility and the Indenture, the Company, the Issuer, the Guarantors, the Trustee, the Security Agent, the lenders under the New Revolving Credit Facility and others will enter into an intercreditor agreement (the ''**Intercreditor Agreement**'') to govern the relationships and relative priorities among (i) the creditors of the New Revolving Credit Facility (the ''**Lenders**''); (ii) the Trustee on behalf of itself and the holders of the Notes; (iii) hedge counterparties under certain hedging agreements (the ''**Hedge Counterparties**''); (iv) certain future creditors of the Group; (v) certain intragroup creditors and debtors; (vi) various creditor representatives; and (vii) The Royal Bank of Scotland plc as the Security Agent.

The Company and each of its affiliates that incurs any liability or provides any guarantee under the New Revolving Credit Facility or the Indenture or the Pari Passu Debt documentation are referred to in this description as ''Debtors.''

The Intercreditor Agreement will set out:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- when enforcement actions can be taken in respect of the Collateral;
- the terms pursuant to which the Subordinated Liabilities (as defined below under ''—Ranking and Priority'') will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of the Collateral.

The Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Debtors, provided that it is not prohibited by the terms of the New Revolving Credit Facility Agreement and the Indenture, which may rank *pari passu* to the Notes and be secured by the Collateral (the ''**Pari Passu Debt**''), subject to the terms of the Intercreditor Agreement. The Creditors of the Pari Passu Debt (the ''**Pari Passu Creditors**'') will have rights under the Intercreditor Agreement, which are summarized below.

The Intercreditor Agreement will also allow, after all Credit Facilities Liabilities (as defined below) have been fully and finally discharged, for the Debtors to enter into a new super senior credit facility, provided that the total amount outstanding under such facility is not prohibited under the Indenture. For the purposes of this description, any references to the New Revolving Credit Facility, Lenders or Credit Facilities Liabilities should be read as including any such other super senior credit facility.

By accepting a Note the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and to have authorized the Trustee to enter into it on its behalf.

The following description is a summary of certain provisions that will be contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt. As such, we urge you to read the Intercreditor Agreement because it, and not the discussion that follows, defines the rights of the holders of the Notes.

Ranking and Priority

The Intercreditor Agreement will provide, subject to the provisions regarding permitted payments and application of proceeds following an enforcement event as set out below, that the right and priority of payment of all present and future liabilities and obligations under the New Revolving Credit Facility (the ''**Credit Facilities Liabilities**''), the hedging agreements entered into by the Hedge Counterparties (the ''**Hedging Liabilities**''), the Notes (the ''**Notes Liabilities**'') and the Pari Passu Debt will rank *pari passu* in right and priority of payment without any preference between them. These liabilities will rank ahead of any liabilities of the Debtors to the Company and its subsidiaries (the ''**Intra-Group Liabilities**'') or any debt to a holding company (the ''**Structural Liabilities**'' and, together with the Intra-Group Liabilities, the ''**Subordinated Liabilities**''). The Intercreditor Agreement does not purport to rank the Subordinated Liabilities among themselves.

Collateral

The Lenders, the Hedge Counterparties, the Trustee and the holders of the Notes and the Pari Passu Creditors will benefit from a common guarantee and security package and no such secured creditor may take the benefit of any guarantee or security from the Guarantors unless such guarantee or security is also offered (to the extent legally possible) for the benefit of the other secured creditors. The Collateral shall rank and secure the liabilities owed to the Lenders, the Hedge Counterparties, the Trustee and the holders of the Notes and the Pari Passu Creditors *pari passu* and without any preference between them.

In addition, the Intercreditor Agreement provides that the guarantees and Collateral will be released in certain circumstances described further below in ''—Release of Security and Guarantees— Non-distressed Disposals'' and ''—Release of Security and Guarantees— Distressed Disposals.''

Permitted Payments

The Intercreditor Agreement will permit payments to be made by the Debtors under the New Revolving Credit Facility, the hedging arrangements, the Indenture and any Pari Passu Debt documentation (provided that such payments are permitted under such documents) and does not limit or restrict any payment by any Debtor in the ordinary course of business. The Intercreditor Agreement will also not prohibit payments to creditors of Intra-Group Liabilities, provided that there has been no acceleration event (which here excludes the placing of liabilities on demand). Payments may be made in respect of Structural Liabilities to the extent not prohibited by the New Revolving Credit Facility, the Indenture and the Pari Passu Debt documentation, provided that there has been no acceleration event (which here excludes the placing of liabilities on demand). There are also restrictions on payments to Hedge Counterparties except for certain specified permitted payments.

The Debtors may not make payments in respect of the Notes Liabilities or the Pari Passu Debt after an acceleration event unless in accordance with the enforcement proceeds waterfall described under ''—Application of Proceeds.''

An acceleration event includes the relevant creditor representative exercising any or all of its rights under the acceleration provisions of the New Revolving Credit Facility, the Indenture or the Pari Passu Debt documentation.

Limitations on Enforcement

For the purposes of enforcement of the Collateral, the Lenders and their creditor representatives and the Hedge Counterparties are referred to as the ''**Super Senior Creditors**.''

If any of the Super Senior Creditors, the holders of the Notes or the Pari Passu Creditors wishes to enforce the Collateral, either (i) 66⅔% by credit participation value of the Super Senior Creditors; or (ii) 50% by outstanding principal amount (including capitalized interest, if applicable) of the holders of the Notes and Pari Passu Creditors must give five business days' notice of the proposed enforcement instructions to the creditor representatives for the other creditor classes and the Security Agent. The giving of this notice triggers a 30-day consultation period during which time the creditor representatives for each of the creditor classes must consult with each other in good faith as to the manner of enforcement.

A creditor representative is not obliged to consult (or may cease to consult, as applicable) as described above if:

- an insolvency event has occurred and is continuing in relation to a Debtor;
- there is an event of default continuing in respect of the relevant creditor group and the relevant creditor group determines, acting in good faith, that to enter into or continue consultations and thereby delay the commencement of enforcement could reasonably be expected to have a material adverse effect on (i) the Security Agent's ability to enforce any of the Collateral or (ii) the realization proceeds available to that creditor group of any enforcement of the Collateral; or
- the required creditor representatives agree on the proposed enforcement of the Collateral and that no consultation period is required or that such period shall terminate.

During the 30-day consultation period, none of the Super Senior Creditors, the holders of the Notes or the Pari Passu Creditors will be entitled to accelerate any of their respective liabilities, except for the following:

1. a creditor representative may cancel all available commitments under the New Revolving Credit Facility, as applicable, if an event of default under the New Revolving Credit Facility has occurred or is occurring;
2. the Super Senior Creditors, the holders of the Notes and the Pari Passu Creditors may make a demand in respect of any amount placed on demand prior to the commencement of the consultation period; and
3. a creditor representative may set-off any amount that it is entitled to set-off under the New Revolving Credit Facility, as applicable.

Each Lender, Hedge Counterparty, Noteholder, Pari Passu Creditor and each creditor with respect to Subordinated Liabilities, as applicable, agrees with the Security Agent that it will cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent. The Security Agent will only give instructions relating to such proceedings as directed by an Instructing Group, if such instructions have been given in accordance with the Security Enforcement Principles and otherwise comply with the provisions in the Intercreditor Agreement described above relating to enforcement limitations.

Conflicting Enforcement Instructions

At the end of the consultation period, the Security Agent must act on the instructions of the Instructing Group. The Instructing Group consists of (i) 66⅔% by credit participation value of the Super Senior Creditors (the ''**Majority Super Senior Creditors**'') and (ii) 50% by outstanding principal amount (including capitalised interest, if applicable) of the holders of the Notes and Pari Passu Creditors (the ''**Majority Senior Creditors**'').

If there are conflicting enforcement instructions given to the Security Agent by the different classes of creditors who constitute the Instructing Group or those different classes are unable to agree on joint instructions, then provided that the Majority Senior Creditors have complied with the consultation obligations set out above, if instructions as to enforcement from the Majority Senior Creditors are instructions to enforce or not to enforce the Collateral or otherwise require a distressed disposal, the enforcement instructions from the Majority Senior Creditors will prevail over those of the Super Senior Creditors and the Majority Senior Creditors will constitute the Instructing Group.

If (i) the Majority Senior Creditors have constituted the Instructing Group and given instructions as to enforcement action and three months have passed since the date on which the first enforcement instructions were issued by that Instructing Group with no steps having been taken in relation to the commencement of enforcement action of any Collateral; or (ii) the liabilities owed to the Super Senior Creditors have not been fully discharged in cash within six months of the date on which the first shared security notice was issued (being the notice from the instructing group to the other creditors that it wishes to commence enforcement), any enforcement instructions given by the Majority Super Senior Creditors will then prevail, *provided* that they are consistent with the security enforcement principles.

Any enforcement instructions given must comply with certain security enforcement principles and the security enforcement objective, including the following:

- to achieve the security enforcement objective, namely to maximize, so far is as consistent with the prompt and expeditious realization of value from enforcement of the Collateral, the recoveries of all of the secured parties;
- all or substantially all enforcement proceeds will be received in cash by the Security Agent or sufficient enforcement proceeds will be received in cash by the Security Agent to ensure that after distribution in accordance with the Intercreditor Agreement, the Credit Facilities Liabilities will be repaid and discharged in full;
- to the extent that the enforcement is over Collateral with an aggregate book value exceeding £2,500,000 or over capital stock, the Security Agent shall appoint an independent internationally recognised investment bank, an independent internationally recognised accountancy firm, or another independent internationally recognised professional services firm which is regularly engaged in providing valuations of businesses or financial assets to prepare and deliver an opinion to the Trustee and the creditor representatives of the Lenders under the Credit Facilities in respect of such sale or disposal as to whether the proceeds received or recovered in connection therewith is fair from a financial point of view taking into account all relevant circumstances, including, without limitation, the method of enforcement or disposal (the ''**Financial Advisor Opinion**''); and
- the Financial Advisor's Opinion will be conclusive evidence as to whether the security enforcement objective and the Security Enforcement Principles have been met.

Turnover

Subject to certain exclusions, if any holders of the Notes, Lender, Pari Passu Creditor, Hedge Counterparty (or any of their respective creditor representatives) receives or recovers the proceeds of any enforcement of any Collateral, the proceeds of any demand made in respect of guarantee liabilities or any payment or distribution of, or on account of or in relation to, any of the liabilities which is not specifically permitted under the Intercreditor Agreement except in accordance with ''—Application of proceeds'' below, that person must:

- in relation to amounts not received or recovered by way of set-off, hold that amount on trust for the Security Agent and promptly pay an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

The Trustee shall only have an obligation to turn over or repay amounts received or recovered by it as described above (i) if it had actual knowledge that the receipt or recovery is an amount received in breach of a provision of the Intercreditor Agreement; and (ii) to the extent that, prior to receiving that knowledge, it has not distributed the amount of that receipt to the holders of the Notes in accordance with the Indenture. A similar protection will exist for any trustees of Pari Passu Debt pursuant to the Intercreditor Agreement.

There is also a general turnover obligation on the subordinated creditors to turn over all amounts not received prior to a distress event, which is not a permitted payment or after a distress event or insolvency event in accordance with the application of proceeds regime in accordance with the Intercreditor Agreement.

Application of Proceeds

All amounts from time to time received pursuant to the provisions described under ''—Turnover'' above or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Collateral or otherwise paid to the Security Agent under the Intercreditor Agreement for application as set forth below shall be held by the Security Agent on trust and applied in the following order:

- first, in discharging any sums owing to the Security Agent, any receiver or any delegate; and then any amounts payable to the Trustee; and then *pari passu* and *pro rata* to each creditor representative the unpaid fees, costs, expenses and liabilities of each such creditor representative and any receiver, attorney or agent appointed by such creditor representative;
- second, *pari passu* and *pro rata*, in or towards discharging all costs and expenses incurred by the Super Senior Creditors in connection with any realisation or enforcement of the Collateral or any action taken at the request of the Security Agent;
- third, in or towards payment or distribution to (i) the agent of the Lenders on its own behalf and on behalf of the Lenders and (ii) the Hedge Counterparties, for application towards the discharge of the Credit Facilities Liabilities and the hedging liabilities on a *pro rata* basis;
- fourth, *pari passu* and *pro rata* in or towards payment or distribution to the Trustee on behalf of the holders of the Notes and to the creditor representatives of the Pari Passu Creditors, for application towards any unpaid costs and expenses incurred by or on behalf of any holders of the Notes and Pari Passu Creditors in connection with any realisation or enforcement of the Collateral or any action taken at the request of the Security Agent;
- fifth, *pari passu* and *pro rata* in or towards payment or distribution to the Trustee on behalf of the holders of the Notes for application towards the discharge of the Senior Note Liabilities, if any, and to the creditor representatives of the Pari Passu Creditors for application towards the discharge of the Pari Passu Debt; and
- sixth, after the secured creditors have been discharged in full, in payment or distribution of the surplus (if any) to the relevant Debtor or other person entitled to it.

Option to purchase

The holders of the Notes and Pari Passu Creditors that are holders of certain issued debt securities may, after the commencement of a consultation period referred to in ''—Limitations on enforcement'' and subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the Lenders), exercise an option to purchase the Credit Facilities Liabilities in full and at par.

Release of Security and Guarantees—Non-distressed Disposals

In circumstances where a disposal is not a distressed disposal (a disposal of an asset by a Debtor which is subject to the Collateral or a disposal of the shares in the capital of any holding company of a Debtor which is not otherwise prohibited by the terms of the New Revolving Credit Facility, the Indenture, any Pari Passu Debt documentation and any Hedging documentation), the Intercreditor Agreement will provide that the Security Agent is irrevocably authorized and instructed to deliver:

- any release of the Collateral and any other claim over that asset;
- where that asset consists of shares in the capital of a Debtor, any release of the Collateral and any other claim over that Debtor's property and/or the shares in and property of any of its subsidiaries;

- any release of any Collateral and any other claim granted by any subsidiary of that holding company over any of its assets;
- where that asset consists of shares in the capital of a holding company of a Debtor, any release of the Collateral and any other claims granted by or over that holding company or any subsidiary of that holding company over any of its or their assets; and
- any release of the Collateral or any claim described above and issue any certificates of non-crystallisation of any floating charge or any consent to dealing that may be reasonably requested by the relevant Debtor,

provided that in the case of a disposal to another member of the Group, the release of the security interests over the Collateral is not prohibited under the terms of the New Revolving Credit Facility, the Indenture or any Pari Passu Debt documentation, any required replacement security is granted by the transferee before or at the same time as the release and, if required by the terms of the New Revolving Credit Facility, the Indenture or Pari Passu Documents, any proceeds from the disposal are applied in mandatory prepayment of the relevant debt.

Release of Security and Guarantees—Distressed Disposals

In circumstances where a distressed disposal is being effected, the Intercreditor Agreement will provide that the Security Agent is irrevocably authorized and instructed:

- to release the Collateral or any other claim over the relevant asset and execute and deliver or enter into any release of that Collateral, or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- if the asset that is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; (ii) any Collateral granted over that Debtor's assets and the assets of any of its subsidiaries; and (iii) any other claim of a Debtor or intra-Group lender over that Debtor's assets or over the assets of any subsidiary of that Debtor;
- if the asset that is disposed of consists of shares in the capital of any holding company of a Debtor, to release (i) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; (ii) any Collateral granted over the assets of any subsidiary of that holding company; and (iii) any other claim of a Debtor or intra-Group lender over the assets of any subsidiary of that holding company;
- provided always that the disposal is in accordance with the security enforcement principles, if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to dispose of all or any part of that Debtor's or the holding company that Debtor's borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Notes), certain other liabilities, and intra-Group receivables; and
- if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to transfer Intra-Group Liabilities and debtor liabilities owed by that Debtor or holding company of a Debtor to another Debtor.

Any net proceeds of the disposal must be applied in accordance with the enforcement proceeds waterfall described under ''—Application of Proceeds.''

Amendment

The Intercreditor Agreement may only be amended with the consent of the creditor representative for the Lenders (acting in accordance with the terms of the New Revolving Credit Facility), the required percentage of holders of the Notes (as set out in the Indenture) or the written consent of the Trustee (acting in accordance with the terms of the Indenture), the required percentage of Pari Passu Creditors (as set out in the relevant Pari Passu Debt documentation) or the written consent of the creditor representative of the Pari Passu Creditors (acting in accordance with the terms of the relevant Pari Passu Debt documentation), the Parent and the Security Agent unless it relates to certain specified matters such as ranking, priority, subordination, turnover, enforcement, disposal proceeds, amendments or the payment waterfall. Such amendments require consent from all Lenders, the Trustee acting in accordance with the terms of the Indenture, in the case of any Pari Passu Debt constituting an issuance of debt securities, the creditor representative of the Pari Passu Creditors (acting in accordance with the terms of the relevant Pari Passu Debt documentation), in the case of any Pari Passu Debt constituting a credit facility, the creditor representative of the Pari Passu Creditors in that tranche of Pari Passu Debt, each Hedge Counterparty (to the extent such amendments adversely affect, the Parent and the Security Agent.

No amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party (other than in a way which affects creditors of that party's class generally) to the Intercreditor Agreement without the prior consent of that party.

The Intercreditor Agreement may be amended without the consent of the holders of the Notes in certain circumstances set out further in ''Description of the Notes—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements''.

To the extent the Debtors wish to enter into additional or replacement Pari Passu Debt or other additional or replacement indebtedness (''**Additional Indebtedness**'') that is permitted to share in the Collateral pursuant to the New Revolving Credit Facility Agreement, Indenture and other Pari Passu Debt documentation, then the parties to the Intercreditor Agreement may be required to enter into a replacement intercreditor agreement as set out further in ''Description of the Notes—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements'' on substantially the same terms as the Intercreditor Agreement.

The Intercreditor Agreement will also permit the Security Agent (subject to the terms of the New Revolving Credit Facility) to enter into new or supplemental security and/or release and retake Transaction Security if certain conditions are met, as set out further in ''Description of the Notes—Certain Covenants—Impairment of Security Interest.''

DESCRIPTION OF THE NOTES

The Issuer will issue and the Guarantors will guarantee £220.0 million aggregate principal amount of 7.875% senior secured notes due 2020 (the ''*Notes*'') in this offering. The Notes will be issued by Arrow Global Finance plc (the ''*Issuer*''), a public limited company incorporated and existing under the laws of England and Wales, which has been organized as a special purpose finance subsidiary to facilitate the offering of debt securities, and which has no operations and no assets other than its rights under the on-loan of proceeds to one or more Restricted Subsidiaries (the ''*Intercompany Borrowers*'') pursuant to the Proceeds Loan Agreement (as defined herein). The Issuer will use payments under the Proceeds Loan (as defined herein) to service the Notes.

In this Description of the Notes, (1) the ''*Company*'' refers only to Arrow Global Guernsey Holdings Limited and any successor obligor on the Company Guarantee (as defined herein), and not to any of its subsidiaries; (2) the ''*Issuer*'' refers only to Arrow Global Finance plc, and any successor obligor to Arrow Global Finance plc on the Notes; and (3) ''*Holdings*'' refers only to Arrow Global Investments Holdings Limited, and any successor obligor to its Holdings Guarantee (as defined herein), and not to any of its subsidiaries, including the Issuer. As of the Issue Date, the Issuer will be a wholly owned subsidiary of Holdings.

The Issuer will issue the Notes under an indenture to be dated as of the Issue Date (the ''*Indenture*'') among, *inter alios,* the Issuer, the Guarantors (as defined herein) and The Bank of New York Mellon, as trustee (the ''*Trustee*'') and The Royal Bank of Scotland plc (the ''*Security Agent*''). The Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act. See ''Notice to Investors.'' The terms of the Notes include those stated in the Indenture, but will not incorporate any terms by reference to, or be subject to, the Trust Indenture Act of 1939, as amended.

The Indenture, the Notes and the Note Guarantees (as defined herein) will be subject to the terms of the Intercreditor Agreement (as defined herein) and any additional intercreditor agreements entered into in the future. The terms of the Intercreditor Agreement are important to understand the terms and ranking of the Liens on the Collateral securing the Notes and the Note Guarantees. Please see ''Description of other indebtedness—Intercreditor Agreement'' for a description of the material terms of the Intercreditor Agreement.

This ''Description of the Notes'' is intended to be an overview of the material provisions of the Notes, the Indenture and the Proceeds Loan Agreement. You should refer to the Indenture for complete descriptions of the obligations of the Issuer and the Guarantors and your rights.

Copies of the Indenture, the form of Notes, the Note Guarantees and the Intercreditor Agreement are available as set forth under ''Additional information.''

The Indenture is unlimited in aggregate principal amount, but this issuance of Notes is limited to £200.0 million aggregate principal amount of Notes. We may issue an unlimited principal amount of additional Notes under the Indenture subject to the procedures described therein (the ''*Additional Notes*''); *provided* that we will only be permitted to issue Additional Notes if (i) the Additional Notes will be (x) fungible with the Notes for U.S. federal income tax purposes or (y) issued with separate Common Code and ISIN numbers, as applicable, from the Notes and (ii) issued in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under ''—Certain Covenants—Limitation on Indebtedness''). The Notes issued in this offering and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise specified with respect to each series of Notes. Unless the context otherwise requires, in this ''Description of the Notes,'' references to the ''Notes'' include the Notes and the Additional Notes that are actually issued.

Summary description of the Notes

The Notes

- are senior obligations of the Issuer and rank equal in right of payment with any existing or future Indebtedness of the Issuer that is not expressly subordinated to the Notes;
- are secured by the Collateral described below along with obligations under the Revolving Credit Facility (although any liabilities in respect of obligations under the Revolving Credit Facility that are

secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);

- are senior in right of payment to any future Subordinated Indebtedness of the Issuer;
- are effectively senior in right of payment to any existing or future unsecured obligations of the Issuer to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- are unconditionally guaranteed on a senior secured basis by the Guarantors.

Principal, maturity and interest

The Issuer will issue £220.0 million in aggregate principal amount of Notes on the Issue Date. The Notes will mature on March 1, 2020. The Notes will be issued in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof. The redemption price of the Notes at maturity is 100.000% of the principal amount plus accrued and unpaid interest and Additional Amounts, if any. The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear Bank SA/NV (''Euroclear'') and/or Clearstream Banking, société anonyme (''Clearstream''). If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest on the Notes will accrue at the rate of 7.875% per annum. Interest on the Notes will be payable, in cash, semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2013 to holders of record on the immediately preceding February 15 and August 15, respectively. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

Methods of receiving payments on the Notes

Principal, premium, if any, interest and Additional Amounts (as defined herein), if any, on the Global Notes (as defined herein) will be payable at the specified office or agency of one or more Paying Agents (as defined herein); *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a nominee of a common depository for Euroclear and/or Clearstream will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities (''*Definitive Registered Notes*'') will be payable at the specified office or agency of a Paying Agent in London maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See ''—Principal Paying Agent, Paying Agent and Registrar for the Notes.''

Principal Paying Agent, Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents (each, a ''Paying Agent'') for the Notes in London (the ''*Principal Paying Agent*''). The Issuer will also undertake to maintain a paying agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC regarding the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive (the ''*Directive*''). The initial Principal Paying Agent for the Notes will be The Bank of New York Mellon in London.

The Issuer will also maintain one or more registrars (each, a ''*Registrar*'') with offices in Luxembourg and a transfer agent with offices in the City of London (the ''*Transfer Agent*''). The initial Registrar and the initial Transfer Agent will be The Bank of New York Mellon (Luxembourg) S.A. and The Bank of New York Mellon, respectively. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change any Paying Agent, Registrar or transfer agent for the Notes without prior notice to the Holders. However, for so long as Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of the change in a Paying Agent, Registrar or Transfer Agent in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange *http://www.bourse.lu*). The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes. Each time the register is amended or updated, the Registrar shall send a copy of the relevant register to the Issuer who will keep an updated copy of the register at its registered office (the ''*Duplicate Register*''). In the event of inconsistency between the Register and the Duplicate Register, for the purposes of Luxembourg law only, the Duplicate Register shall prevail.

Transfer and exchange

The Notes will initially be issued in the form of registered notes in global form without interest coupons, as follows:

- Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the ''*144A Global Notes*'').
- Each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the ''*Regulation S Global Notes*'' and, together with the 144A Global Notes, the ''*Global Notes*'').
- The Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (''*Book-Entry Interests*'') will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under ''Notice to investors.'' In addition, transfers of Book-Entry Interests between participants in Euroclear and/or Clearstream will be effected by Euroclear and/or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear and/or Clearstream and its respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

During the 40-day distribution compliance period, ownership of Book-Entry Interests in Regulation S Global Notes may be transferred only to non-U.S. Persons under Regulation S under the U.S. Securities Act or to persons (i) whom the transferor reasonably believes are ''qualified institutional buyers'' within the meaning of Rule 144A under the U.S. Securities Act 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under ''Notice to investors'' and in accordance with any applicable securities law of any other jurisdiction and (ii) who take 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 such effect.

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 and/or Clearstream from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under ''Notice to investors.''

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged in whole or in part, in minimum denominations of £100,000 in principal amount and integral multiples of £1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear and/or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Notes; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee and the Paying Agent will be entitled to treat the Holder as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Notes, all of the Company's Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under the definition of ''Unrestricted Subsidiary,'' the Issuer will be permitted at any time to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Note Guarantees

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control Triggering Event, will be unconditionally guaranteed, jointly and severally, by the Company, Holdings and each other existing material Restricted Subsidiary of the Company, subject to certain exceptions. Each Restricted Subsidiary, other than Holdings, that provides a guarantee of the Notes (a ''*Subsidiary Note Guarantee*'') is referred to herein as a ''*Subsidiary Guarantor*,'' and together with the Company and Holdings are the ''*Guarantors*.''

The initial Subsidiary Guarantors will consist of Arrow Global Holdings Ltd., Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited and Arrow Global Limited and will include each entity that has guaranteed, or is a borrower under, the Revolving Credit Facility at the Issue Date. As at October 31, 2012, the Guarantors held 98% of our total assets and were responsible for 100% of our liabilities on an unconsolidated basis. For the ten months ended October 31, 2012, the Guarantors were responsible for 97% of Adjusted EBITDA, on an unconsolidated basis, and 98% of our revenue, on an unconsolidated basis.

Each of the initial Guarantors will guarantee the Notes as of the Issue Date. In addition, subject to the Agreed Security Principles, if the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary (other than an Immaterial Subsidiary or a Permitted Purchase Obligations SPV) after the Issue Date or any Restricted Subsidiary guarantees or becomes liable for certain Indebtedness, the Company will cause such new Subsidiary to provide a Note Guarantee (as defined below). The new Guarantor will also, subject to the Agreed Security Principles, be required to pledge assets in favor of such Note Guarantee as described under ''—Security.''

The Agreed Security Principles apply to the granting of guarantees and security in respect of obligations under the Revolving Credit Facility and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory limitations, capital maintenance, financial assistance, corporate benefit, fraudulent preference, ''thin capitalization'' rules, retention of title claims and similar principles.

Each Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See ''Risk Factors—Risks related to our structure—The Notes and the Note Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.''

The Note Guarantee provided by the Company (the ''*Company Guarantee*''), Holdings (the ''*Holdings Guarantee*'' and together with the Company Guarantee and the Subsidiary Note Guarantees, the ''*Note Guarantees*'') and the Subsidiary Note Guarantee of a Subsidiary Guarantor will terminate upon:

(1) in the case of a Subsidiary Note Guarantee only, a sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of Capital Stock of the relevant Guarantor or of a Parent thereof, such that such Guarantor ceases to be a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the relevant Guarantor (other than to the Company or a Restricted Subsidiary), in each case in a transaction otherwise permitted by the Indenture;

(2) in the case of a Subsidiary Note Guarantee only, the designation in accordance with the Indenture of the relevant Guarantor as an Unrestricted Subsidiary;

(3) defeasance or discharge of the Notes, as provided in ''—Defeasance'' and ''—Satisfaction and discharge;''

(4) in the case of a Subsidiary Note Guarantee only (other than a Subsidiary Note Guarantee issued on the Issue Date), to the extent that the relevant Guarantor is not an Immaterial Subsidiary solely due to the operation of clause (i) of the definition of ''Immaterial Subsidiary,'' upon the relevant release of the guarantee or discharge of Indebtedness referred to in such clause;

(5) upon full payment of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(6) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness as provided under the Intercreditor Agreement;

(7) upon the release of the Guarantor's Note Guarantee under any Indebtedness that triggered such Guarantor's obligation to guarantee the Notes under the covenant described in ''—Additional Note Guarantees''; or

(8) as described under the caption ''—Amendment, Supplement and Waiver''.

Upon any occurrence giving rise to a release of a Note Guarantee, as specified above, the Trustee, subject to receipt of certain documents from the Issuer and/or Guarantor, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Note Guarantee. Neither the Issuer, the Trustee nor any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Substantially all the operations of the Company are conducted through its Subsidiaries. Claims of creditors of non-guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Company, including Holders. The Notes and each Note Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of any future Subsidiaries of the Company that do not become Guarantors.

Security

The Collateral

Pursuant to the Security Documents, including an English law debenture (the ''*Debenture*'') and Guernsey law security interest agreements with respect to the shares of Arrow Global Guernsey Limited and Arrow Global Debt Limited and Guernsey law security interest agreements with respect to the bank accounts of Arrow Global Guernsey Limited and the Company, the Issuer and each Guarantor has granted or will grant to the Security Agent security interests in all the following (collectively, the ''*Collateral*''), subject to the operation of the Agreed Security Principles (including the exceptions set out below):

(a) real property and any rights or interests related thereto of the Issuer and such Guarantor;

(b) all the shares in the Issuer, each such Guarantor (other than the Company), Arrow Global Debt Limited, Arrow Global Portugal Ltd, Arrow Global Management Limited and any Trust Management SPV;

(c) all bank accounts of each such Guarantor and the Issuer (other than accounts used to collect amounts held on trust for third parties);

(d) all other material assets of the Issuer and each such Guarantor (including amounts owing by a debtor to a Guarantor under certain Portfolio Assets (other than such Portfolio Assets which expressly prohibit an assignment or charge of such Guarantor's rights, title and benefits thereunder); and

(e) the rights of the Issuer and each such Guarantor under intercompany receivables, including the Issuer's rights under any Proceeds Loan,

and all related rights thereto.

Notwithstanding the foregoing, certain assets will be excluded from Collateral and may not be secured or such security perfected in accordance with the Agreed Security Principles, including:

- the assets and shares of Strzala Sp. z o.o.;
- the assets of Arrow Global Portugal Limited, Arrow Global Management Limited, Arrow Global Debt Limited and any Trust Management SPV which are not required to be grantors of security or guarantees;
- the assets of Arrow Global Limited held in Portugal and Slovakia or that are subject to Portuguese or Slovakian law;
- the Receivables of Arrow Global LLC which were assigned to Arrow Global Guernsey Limited in respect of which steps have not been and will not be taken to perfect the transfer of legal title and where the aggregate gross collections in relation to such Receivables on a three year rolling basis will not exceed £1,000,000;
- property and assets held on trust for a third-party which is not the Company or any Restricted Subsidiary;
- if the cost of providing security is not proportionate to the benefit accruing to the Holders and the other secured parties;
- if providing such security requires consent of a third party and, if the asset is material, such consent cannot be obtained after the use of reasonable efforts;
- if providing such security would be prohibited by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, ''thin capitalization'' rules or similar matters or entering into the Security Documents would conflict with fiduciary duties of directors, contravene any legal or regulatory prohibition or result in a risk of personal or criminal liability on the part of directors or officers;
- if perfecting such security would have an unreasonable adverse effect on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture; and

- in the case of debt purchase agreements, and book and other debts, notices to the counterparties will only be served after a ''Relevant Acceleration Event'' (as defined in the Intercreditor Agreement); and
- in the case of Servicing Agreements, notices to the counterparties will only be served after an ''Event of Default'' (as defined in the Intercreditor Agreement) has occurred and is continuing.

Administration and enforcement of security

The Security Documents and the Collateral will be administered by a Security Agent (or in certain circumstances a receiver or delegate) pursuant to the Intercreditor Agreement for the benefit of all the secured parties. For a description of the Intercreditor Agreement, see ''Description of other indebtedness—Intercreditor Agreement.''

The ability of Holders to realize the Collateral will be subject to various insolvency law limitations in the event of the Company's insolvency and various contractual limitations set out in the Intercreditor Agreement. See ''Risk factors—Risks related to the Notes—English insolvency laws may not be as favorable to you as U.S. and other insolvency laws and may adversely affect the validity and enforceability of the Guarantees and the security interests and may limit the amount that can be recovered,'' and ''Risk factors—Risks related to the Notes—Applicable law and other limitations on the enforceability of the security may adversely affect its validity and enforceability.''

The Security Documents will provide that the rights of the Holders with respect to the Collateral must be exercised by the Security Agent. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Trustee or the Security Agent, as applicable. The Security Agent will agree to release a security interest created by the Security Documents at the direction of the Trustee that is in accordance with the Indenture and the Intercreditor Agreement without requiring any consent of the Holders. Subject to the terms of the Intercreditor Agreement, the Holders will, in certain circumstances, share in the ability to direct the Trustee to direct the Security Agent to commence enforcement action under the Security Documents. Please see ''Description of other indebtedness—Intercreditor Agreement.''

Subject to the terms of the Security Documents and the Indenture, the Issuer and the Guarantors will have the right to remain in possession and retain control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer and Guarantors in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after the payment of obligations under the Revolving Credit Facility or other super priority debt pursuant to the Intercreditor Agreement would be sufficient to satisfy the obligations owed to the Holders as well as any other obligations secured on a pari passu basis. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all. See ''Risk factors—Risks related to the Notes and the Note Guarantees—No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Note Guarantees, and such security may not be sufficient to satisfy the obligations under the Notes and the Note Guarantees.''

The creditors under the Revolving Credit Facility and the Trustee for the Notes have, and by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed The Royal Bank of Scotland plc, as Security Agent, in each case to act as its security agent under the Intercreditor Agreement and the other relevant documents to which the security agent is a party (including, without limitation, the Security Documents); and
- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which the security agent is a party, together with any other incidental rights, power and discretions; and (ii) execute each document expressed to be executed by the Security Agent on its behalf.

Release of Liens

Subject to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Agent shall release, and the Trustee shall release (if action is required by it) and if so requested direct the Security Agent to release, without the need for consent of the Holders, Liens on the Collateral securing the Notes:

(1) upon payment in full of principal, interest and all other amounts under the Notes issued under the Indenture or discharge or defeasance thereof;

(2) upon release of a Note Guarantee (with respect to the Liens securing such Note Guarantee granted by such Guarantor);

(3) in connection with any disposition of Collateral to any Person other than the Company or any of its Restricted Subsidiaries, or to a Guarantor (including, for the avoidance of doubt, a disposition of Collateral to any Person other than the Company or Restricted Subsidiary to be held on trust by the Company or a Restricted Subsidiary for such Person); *provided* that if the Collateral is disposed to such Guarantor, the relevant Collateral becomes immediately subject to a substantially equivalent Lien in favor of the Security Agent securing the Notes (but excluding any transaction subject to ''—Certain Covenants—Merger and Consolidation—The Company, Holdings and the Issuer''); *provided*, *further*, that, in each case, such disposition is permitted by ''—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock'' and the other provisions of the Indenture;

(4) if the Company designates any Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;

(5) in connection with certain enforcement actions taken by the creditors under certain of our Secured Indebtedness as provided under the Intercreditor Agreement;

(6) as may be permitted by the covenant described under ''—Certain Covenants—Impairment of Security Interest''; or

(7) as described under the caption ''—Amendment, Supplement and Waiver''.

Each of these releases shall be effected by the Security Agent without the consent of the Holders or any further action on the part of the Trustee (unless action is required by it).

Intercreditor Agreement

On the Issue Date, the Trustee shall enter into an Intercreditor Agreement with, among others, the Issuer, the Guarantors, the Security Agent and the agent under the Revolving Credit Facility, as described under ''Description of other indebtedness—Intercreditor Agreement.'' Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility and Priority Hedging Obligations that are secured by assets that also secure our obligations under the Notes and the Note Guarantees will receive priority with respect to any proceeds received upon any enforcement action over any such assets. Any remaining proceeds received upon any enforcement action over any Collateral, after all obligations under the New Revolving Credit Facility and Priority Hedging Obligations have been repaid from such recoveries, will be applied pro rata in repayment of all obligations under the Indenture and the Notes and any other pari passu indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement.

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence or refinancing by the Company or its Restricted Subsidiaries of any Indebtedness secured or permitted to be secured on the Collateral, the Issuer, the Company, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into an intercreditor or similar agreement or a restatement, amendment or other modification of the existing Intercreditor Agreement (an ''Additional Intercreditor Agreement'') with the holders of such Indebtedness (or their duly authorized representatives) on substantially the same terms as the Intercreditor Agreement (or on terms that in the good faith judgment of the Issuer are not materially less favorable to the Holders), including containing substantially the same terms with respect to the application of the proceeds of the collateral held thereunder and the means of enforcement, it being understood that an increase in the amount of Indebtedness being subject to the terms of the Intercreditor Agreement or Additional Intercreditor Agreement will not be deemed to be less favorable to the Holders and will be permitted by this covenant if the incurrence of such Indebtedness and any Lien in its favor is permitted by the ''Limitation on Indebtedness'' and ''Limitation on Liens'' covenants; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or, in the opinion of the Trustee, adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture or the Intercreditor Agreement. As used herein, the term ''Intercreditor Agreement'' shall include references to any Additional Intercreditor Agreement that supplements or replaces the Intercreditor Agreement entered into on or prior to the Issue Date.

The Indenture will provide that, at the written direction of the Issuer and without the consent of the Holders, the Trustee or Security Agent shall, from time to time, enter into one or more amendments to any Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency of any such agreement; (ii) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Company or its Restricted Subsidiaries that is subject to any such agreement (*provided* that such Indebtedness is Incurred in compliance with the Indenture); (iii) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement; (iv) further secure the Notes (including Additional Notes incurred in compliance with the Indenture); (v) make provision for equal and ratable pledges of the Collateral to secure Additional Notes incurred in compliance with the Indenture or to implement any Permitted Collateral Liens; or (vi) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under ''—Amendments and Waivers'' or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or Security Trustee to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture relating to the Notes or any Intercreditor Agreement.

The Indenture will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of any Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have authorized the Trustee or Security Agent to enter into any one or more amendments to any Intercreditor Agreement as contemplated above on each Holder's behalf.

Optional Redemption

Except as set forth herein and under ''—Redemption for Taxation Reasons,'' the Notes are not redeemable at the option of the Issuer.

At any time and from time to time on or after March 1, 2016, the Issuer may redeem the Notes, in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to the applicable percentage of principal amount set forth below plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Year	Redemption Price
2016	103.938%
2017	101.969%
2018 and thereafter	100.000%

At any time and from time to time prior to March 1, 2016, the Issuer may redeem Notes with the Net Cash Proceeds received by the Company from any Equity Offering, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 107.875% plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including the principal amount of any Additional Notes); *provided* that:

(1) in each case the redemption takes place not later than 120 days after the closing of the related Equity Offering; and

(2) not less than 65% of the original aggregate principal amount of the Notes (including the principal amount of any Additional Notes) remains outstanding immediately thereafter.

At any time prior to March 1, 2016 the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount of such Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notice of redemption will be provided as set forth under ''—Selection and Notice'' below. If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes of that series that will remain outstanding immediately after such redemption.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof.

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering) which shall be specified in the notice of redemption to Holders.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Sinking fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under ''—Change of Control'' or ''—Certain Covenants—Limitation on sales of assets and subsidiary stock''. The Issuer, the Company and any Restricted Subsidiary may at any time and from time to time purchase Notes on the open market or otherwise.

Selection and notice

If less than all the Notes are to be redeemed at any time, the Trustee or the Registrar will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee by the Issuer, and in compliance with the requirements of Euroclear and/or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear and/or Clearstream or Euroclear and/or Clearstream prescribes no method of selection, on a pro rata basis.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer shall publish any notice of redemption on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date if the Notes are in definitive certificated form, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Neither the Trustee nor the Registrar shall be liable for selections made by it under this paragraph.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global

Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption, unless the redemption price is not paid on the redemption date.

Redemption for taxation reasons

The Issuer or Successor Company, as defined below, may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption (a ''*Tax Redemption Date*'') (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see ''—Additional Amounts''), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if as a result of:

(1) any change in, or amendment to, the law (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below under ''—Additional Amounts'') affecting taxation; or

(2) any change in, or amendment to, the application, administration or interpretation of such laws, regulations or rulings (including pursuant to a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a ''*Change in Tax Law*'');

the Issuer, Successor Company or Guarantor are, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer, Successor Company or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and, in the case of a payment by a Guarantor, having the Issuer or another Guarantor make the payment, but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this offering memorandum, such Change in Tax Law must become effective on or after the date of this offering memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this offering memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction. Notice of redemption for taxation reasons will be published in accordance with the procedures described under ''—Selection and Notice.'' Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or Successor Company will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer, Successor Company or Guarantor has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the existence and satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Additional Amounts

All payments made by the Issuer, a Successor Company or Guarantor (a ''*Payor*'') on the Notes or the Note Guarantees, as defined below, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Guernsey, the United Kingdom, or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Note Guarantee is made by the Issuer, Successor Company, Guarantor or their agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "*Relevant Taxing Jurisdiction*"),

will at any time be required from any payments made with respect to any Note or Note Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the Holders or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Note Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, but not limited to, being a citizen or resident or national or domiciliary of, or the existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or enforcement of rights hereunder or under a Note Guarantee or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owners or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, in each case that is required by applicable law, regulation, treaty or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax, *provided* that, in each case the Holder or beneficial owner is legally eligible to do so;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment with respect to the Notes or any Note Guarantee;

(4) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(5) any Taxes that are required to be deducted or withheld on a payment to an individual pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to such directive or pursuant to Luxembourg law of December 23, 2005 introducing a withholding tax on certain savings paid to Luxembourg;

(6) any Taxes imposed on a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(7) any Taxes imposed on or with respect to a payment to a Holder that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note;

(8) any Taxes imposed under sections 1471-1474 of the U.S. Internal Revenue Code; or

(9) any combination of the above.

Such Additional Amounts will also not be payable (x) to the extent the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is required for payment) within 30 days after the relevant payment was first made available for payment to the Holder, except for Additional Amounts with respect to Taxes that would have been imposed had the Holder presented the Note for payment within such 30-day period or (y) where, had the beneficial owner of the Note been the Holder, except for Additional Amounts with respect to Taxes that would have been imposed had the Holder presented the Note for payment within such 30-day period, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (8) inclusive above, but only if there is no material cost or legal restriction associated with transferring the Note to such beneficial owner.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Company, and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent. The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per £1,000 principal amount of the Notes.

If any Payor becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises, or Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee shall be entitled to rely solely on such Officer's Certificate without further inquiry, as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Note Guarantees or this ''Description of the Notes'' there are mentioned, in any context:

(1) the payment of principal;

(2) purchase or redemption prices in connection with a purchase or redemption of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary Taxes, or any other excise, property or similar Taxes that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes, the Indenture, the Proceeds Loan Agreement, the Intercreditor Agreement, the Security Documents or any other document or instrument in relation thereto (other than present or future stamp, court or documentary Taxes, or any other excise, property or similar Taxes that arise from or in connection with a transfer or exchange of the Notes in any jurisdiction) excluding any such Taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction.

The foregoing obligations of this ''Additional Amounts'' section will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer or any Guarantor is organized or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control Triggering Event occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all or part (equal to £100,000 or an integral multiple of £1,000 in excess thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obliged to repurchase Notes as described under this "Change of Control" section in the event and to the extent that it has unconditionally exercised its right to redeem all the Notes as described under "—Optional Redemption" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "—Optional Redemption" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control Triggering Event, the Issuer will mail a notice (the "*Change of Control Offer*"), to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control Triggering Event has occurred or may occur and that such Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*") and record date;

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control Triggering Event;

(4) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Note or part thereof not tendered will continue to accrue interest;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control Triggering Event, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control Triggering Event.

On the Change of Control Payment Date, if the Change of Control Triggering Event shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with an agent to be determined by the Issuer an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee or an authentication agent appointed by the Trustee will, upon receipt of an authentication order from the Issuer, promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least £100,000 or an integral multiple of £1,000 in excess thereof.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish a public announcement with respect to the results of the Change of Control Offer as soon as practicable after the Change of Control Payment Date in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*).

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditional upon such Change of Control Trigger Event; provided that the purchase date will be no earlier than 30 days from the date a notice of such Change of Control Offer is mailed.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control Triggering Event may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control Triggering Event.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

Each lender under the Revolving Credit Facility may require repayment of all amounts due to it and a cancellation of its commitment under the Revolving Credit Facility upon the occurrence of a change of control. A change of control under the Revolving Credit Facility may not be a Change of Control as defined in the Indenture. Future debt of the Company or of the Issuer may prohibit the Issuer from purchasing Notes in the event of a Change of Control Triggering Event or provide that a Change of Control Triggering Event is a default or require repurchase upon a Change of Control, as the case may be. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under other debt, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company or the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Issuer's and the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See ''Risk factors—Risks related to our structure—We may not be able to obtain the funds required to repurchase the Notes upon a change of control.''

Holders may not be entitled to require the Issuer to purchase their Notes in certain circumstances involving a significant change in the composition of the Company's Board of Directors, including in connection with a proxy contest, where the Company's Board of Directors initially publicly opposes the election of a dissident slate of directors, but subsequently approves such directors for the purposes of the Indenture governing the Notes. This may result in a change in the composition of the Board of Directors that, but for such subsequent approval, would have otherwise constituted a Change of Control Triggering Event requiring a repurchase offer under the terms of the Indenture governing the Notes.

The definition of ''Change of Control'' includes a disposition of all or substantially all the property and assets of the Company and its Restricted Subsidiaries taken as a whole to specified other Persons. There is no precise established definition of the phrase ''substantially all'' under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of ''all or substantially all'' of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control Triggering Event has occurred and whether a Holder may require the Company to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Issuer or a Guarantor may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries is greater than 2.75 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Issuer or a Guarantor pursuant to any Credit Facility (including letters of credit or bankers' acceptances issued or created under any Credit Facility), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) the greater of (x) £55.0 million and (y) 12% of ERC, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary in each case so long as the Incurrence of such Indebtedness being guaranteed is permitted under the terms of the Indenture; *provided* that if the Indebtedness being guaranteed is subordinated to the Notes or Notes Guarantee, then the guarantee must be subordinated to the Notes or Notes Guarantee to the same extent as the Indebtedness guaranteed; or (b) without limiting the covenant described under ''—Limitation on Liens,'' Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided*, *however*, that: (a) if the Issuer or any Guarantor is the obligor on any such Indebtedness and the obligee is not a Guarantor or the Issuer, it is either a Working Capital Intercompany Loan or unsecured and expressly subordinated in right of payment to prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the Notes or Note Guarantee, as applicable; and (b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary, and any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Company or such Restricted Subsidiary, as the case may be;

(4) Indebtedness represented by (a) the Notes (other than any Additional Notes), (b) any Indebtedness (other than Indebtedness described in clauses (1), (3), (7) or (11)) outstanding on the Issue Date, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances and, (e) the Proceeds Loan;

(5) Indebtedness of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such acquisition);

provided, *however*, with respect to this clause (5), that at the time of such acquisition or other transaction (x) the Company would have been able to Incur £1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for bona fide hedging purposes of the Company or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or senior management of the Company);

(7) Indebtedness represented by Capitalized Lease Obligations or Purchase Money Obligations, in each case, incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Company or any of its Restricted Subsidiaries, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (i) £5.0 million and (ii) 2.5% of Total Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations, indemnities or guarantees Incurred in the ordinary course of business or for governmental or regulatory requirements, in each case not in connection with the borrowing of money, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business, *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in the case of a disposition, the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within five Business Days of Incurrence; (b) Customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business; and (c) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of Receivables for credit management purposes, in each case, not in connection with the borrowing of money and Incurred or undertaken in the ordinary course of business on arm's length commercial terms;

(11) Indebtedness Incurred by the Issuer or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of (i) £10.0 million and (ii) 5.0% of Total Assets; *provided*, that, the aggregate principal amount of such Indebtedness incurred pursuant to this clause (11) by

Restricted Subsidiaries that are not Guarantors shall not exceed the greater of (i) £2.5 million and (ii) 1.25% of Total Assets;

(12) Indebtedness represented by Permitted Purchase Obligations;

(13) Indebtedness Incurred by the Issuer or a Guarantor in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6), (10) and (14) of the third paragraph of the covenant described below under ''—Limitation on Restricted Payments'' to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and/or clauses (1), (6), (10) or (14) of the third paragraph of the covenant described below under ''—Limitation on Restricted Payments'' in reliance thereon; and

(14) Indebtedness represented by the unpaid purchase price for Portfolio Assets acquired in the ordinary course of business *provided* such amounts are due within one year of the acquisition of the related Portfolio Assets.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify, and may, from time to time, reclassify, such item or any portion of such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that Indebtedness incurred pursuant to clause (1) of the second paragraph of this covenant may not be reclassified, and Indebtedness under the Revolving Credit Facility incurred or outstanding on the Issue Date will be deemed to have been incurred on such date in reliance or the exception provided in clause (1) of the second paragraph of this covenant;

(2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7) or (11) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(4) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(5) for the purposes of determining ''ERC'' under clause (1)(i)(y) of the second paragraph of this covenant, (i) *pro forma* effect shall be given to ERC on the same basis as for calculating the Secured LTV Ratio for the Company and its Restricted Subsidiaries and (ii) ERC shall be measured on or about the date on which the Company obtains new commitments (in the case of revolving facilities) or incurs new Indebtedness (in the case of term facilities);

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) the amount of Indebtedness 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'' covenant. The amount of any Indebtedness outstanding as of any date shall be calculated as specified under the definition of ''Indebtedness.''

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this ''—Limitation on Indebtedness'' covenant, the Company shall be in default of this covenant).

For purposes of determining compliance with any sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Company, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than sterling, and such refinancing would cause the applicable sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such sterling-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Sterling Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in sterling, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Sterling Equivalent of such amount plus the Sterling Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement. For purposes of calculating compliance with clause (1) of the second paragraph of this covenant or for calculating the amount of Indebtedness outstanding under the Revolving Credit Facility, to the extent a Credit Facility is utilized for the purpose of guaranteeing or cash collateralizing any letter of credit or guarantee, such guarantee or collateralization and issuance of such letter of credit or guarantee shall be deemed to be an Incurrence utilization of such Credit Facility permitted under clause (1) of the second paragraph of this covenant without double counting.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or other distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

   (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding; and

   (b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital

Stock other than the Company or another Restricted Subsidiary on no more than a pro rata basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent of the Company held by Persons other than the Company or a Restricted Subsidiary (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) make any principal payment on or in respect of, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any

(x) Subordinated Indebtedness (other than, in each case, any capitalization of Subordinated Indebtedness or (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement, and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under ''—Limitation on Indebtedness'') or (y) any Subordinated Shareholder Funding, other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding; or

(4) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) are referred to herein as a ''*Restricted Payment*''), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Company is not able to Incur an additional £1.00 of Indebtedness pursuant to the first paragraph under the ''—Limitation on Indebtedness'' covenant after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5)(a) (without duplication of amounts paid pursuant to any other clause of the second succeeding paragraph), (6), (10), (11) and (12) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or Subordinated Shareholder Funding refinancing existing Subordinated Shareholder Funding) of the Company subsequent to the Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (y) Excluded Contributions);

(iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of ''Investment'') not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c);

provided , *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Company or any of its Restricted Subsidiaries in connection with:

(A) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and

(B) any dividend or distribution made by an Unrestricted Subsidiary to the Company or a Restricted Subsidiary;

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (v); *provided* further, *however*, that such amount shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c).

The fair market value of property or assets other than cash covered by clause (c) of the preceding paragraph shall be the fair market value thereof as determined in good faith by the Board of Directors.

The foregoing provisions will not prohibit any of the following (collectively, ''Permitted Payments''):

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other

than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the second preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under ''—Limitation on Indebtedness'' above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under ''—Limitation on Indebtedness'' above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under ''—Limitation on Sales of Assets and Subsidiary Stock'' below, but only if (i) the Company shall have first complied with the terms described under ''—Limitation on Sales of Assets and Subsidiary Stock'' and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a ''change of control''), but only if (i) the Company shall be required to make a Change of Control Offer under ''—Change of Control'' and shall have complied with the terms described thereunder and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(5) (a) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant, and (b) payments associated with the Transactions;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Company or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (A) £2.0 million plus (B) £1.0 million multiplied by the number of calendar years that have commenced since the Issue Date plus (C) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (B), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under ''—Limitation on Indebtedness'' above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication): (a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or (b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2), (3), (5), (7), (11) and (12) of the second paragraph under ''—Limitation on Affiliate Transactions;''

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Company or any Parent 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 Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or contributed as Subordinated Shareholder Funding to the Company, in each case from the Net Cash Proceeds of a Public Offering and (b) following the Initial Public Offering, an amount equal to the greater of (i) 6% of the Market Capitalization and (ii) 6% of the IPO Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries shall be equal to or less than 2.5 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed £10.0 million;

(12) payments by the Company, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Company or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors);

(13) Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13);

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent issued after the Issue Date; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or, in the case of Designated Preference Shares issued by any Parent or any Affiliate thereof, the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution) of the Company or loaned as Subordinated Shareholder Funding to the Company, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries; and

(16) the repurchase or repayment of existing shareholder loans on the Issue Date.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the ''Initial Lien''), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if, contemporaneously with the Incurrence of such Initial Lien, the Notes and the Indenture (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Limitation on restrictions on distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary;

(B) make any loans or advances to the Company or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) the Revolving Credit Facility, (b) the Notes, any Additional Notes and the Note Guarantees, (c) the Intercreditor Agreement and any Additional Intercreditor Agreement, (d) the Security Documents or (e) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an ''*Initial Agreement*'') or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or

instrument are no less favorable in any material respect to the Holders taken as a whole 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 Company);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, the terms of any license, authorization, concession or permit or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under ''—Certain Covenants—Limitation on Indebtedness'' if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith as in effect on the Issue Date or (ii) in comparable financings (as determined in good faith by the Company) and where, in the case of clause (ii), the Company determines at the time such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or the ability of the Intercompany Borrowers to make principal or interest payments on the Proceeds Loan;

(12) restrictions relating to Permitted Purchase Obligations SPVs effected in connection with the incurrence of Permitted Purchase Obligations that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable;

(13) any encumbrance or restriction existing by reason of any lien permitted under ''—Certain Covenants—Limitation on Liens'';

(14) any encumbrance or restriction on assets held in trust for a third party, including pursuant to the relevant trust agreement; or

(15) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (14), or in this clause (15); provided that the terms and conditions of any such encumbrances or restrictions are, in the good faith judgment of the Board of Directors of the Company, no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced.

Limitation on sales of assets and subsidiary stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:

    (a) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Indebtedness of a non-Guarantor Restricted Subsidiary (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary or Indebtedness of the Issuer) or Indebtedness under the Revolving Credit Facility (or any Refinancing Indebtedness in respect thereof) within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any)(except in the case of the Revolving Credit Facility) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or (ii) to prepay, repay or purchase Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided* that the Company shall redeem, repay or repurchase Pari Passu Indebtedness pursuant to this clause (ii) only if the Company makes (at such time or subsequently in compliance with this covenant) an offer to the Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; or

    (b) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; *provided*, *further*, that if the assets (including Capital Stock) sold constitute Collateral, subject to the Agreed Security Principles, the Company shall pledge or shall cause the applicable Restricted Subsidiary to pledge any acquired Additional Assets (to the extent such assets (including Capital Stock) were of a category of assets included in the Collateral as of the Issue Date) in favor of the Notes on a first-ranking basis (subject to pre-existing Liens and Permitted Collateral Liens), *provided* that, pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph, or offered to be applied in accordance with clause (3)(a)(ii) above, will be deemed to constitute ''*Excess Proceeds*'' under the Indenture. On the 366th day after an Asset Disposition, or at such earlier date that the Company elects, if the aggregate amount of ''Excess Proceeds'' under the Indenture exceeds £5.0 million (or equivalent thereof), the Issuer will be required to make an offer (''Asset Disposition Offer'') to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the ''Excess Proceeds,'' at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the ''Excess Proceeds,'' the Company may use any remaining ''Excess Proceeds'' for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of ''Excess Proceeds,'' the ''Excess Proceeds'' shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in sterling, such Indebtedness shall be calculated by converting any such principal amount into its Sterling Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of ''Excess Proceeds'' shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than pound sterling, the amount thereof payable in respect of the Notes shall not exceed the net amount of funds in pound sterling that is actually received by the Issuer upon converting such portion into pound sterling.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the ''*Asset Disposition Offer Period*''). No later than five Business Days after the termination of the Asset Disposition Offer Period (the ''*Asset Disposition Purchase Date*''), the Issuer will purchase the principal amount of Notes and, to the extent they elect, Pari Passu Indebtedness required to be purchased pursuant to this covenant (the ''*Asset Disposition Offer Amount*'') or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof. The Company will deliver to the Trustee an Officer's

Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this covenant. The Company or an agent designated by the Company, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Company for purchase, and the Company will promptly issue a new Note (or amend the Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Company, will (via an authenticating agent) authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of £100,000 or in integral multiples of £1,000 in excess thereof. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Company to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Company or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Company or a Guarantor) and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Company or any Restricted Subsidiary from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Company or the Issuer (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of £5.0 million and 2.5% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Indenture by virtue of any such conflict.

Additional Note Guarantees

The Company will cause each Restricted Subsidiary (other than the Issuer) that, after the Issue Date, guarantees any Indebtedness of the Company or any Guarantor, or assumes or in any other manner becomes liable with respect to any Indebtedness under the Revolving Credit Facility or any refinancing Indebtedness in respect thereof, to simultaneously or prior thereto execute and deliver a supplemental Indenture or other appropriate agreement providing for such Restricted Subsidiary's Note Guarantee on the same terms and conditions as those set forth in the Indenture. In addition, the Company shall cause each Restricted Subsidiary (other than the Issuer, an Immaterial Subsidiary or a Permitted Purchase Obligations SPV) to execute and deliver a supplemental Indenture or other appropriate agreement providing for such Restricted Subsidiary's guarantee of the Notes on the same terms and conditions as those set forth in the Indenture, within 30 days of delivery of the Company's audited consolidated annual reports to the Trustee pursuant to the Indenture that show that such Restricted Subsidiary is not an Immaterial Subsidiary or a Permitted Purchase Obligations SPV (each such additional guarantee of the Notes, an ''*Additional Note Guarantee*'').

Notwithstanding the foregoing, the Company shall not be obligated to cause any such Restricted Subsidiary to guarantee the Notes to the extent that the grant of such Note Guarantee would be inconsistent with the Agreed Security Principles.

Notwithstanding the foregoing and the other provisions of the Indenture, any Additional Note Guarantee by a Restricted Subsidiary of the Notes shall provide by its terms, and the Indenture shall provide, that it shall be automatically and unconditionally released and discharged in the circumstances described under ''—Note Guarantees.'' Any Additional Note Guarantee shall be considered a ''Note Guarantee'' as described in ''—Note Guarantees.''

Each Additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent that such guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Company or the Restricted Subsidiary or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

Maintenance of listing

The Company will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Euro MTF Market of the Luxembourg Stock Exchange for so long as such Notes are outstanding; *provided* that, if the Company is unable to obtain admission to such listing or if at any time the Company determines that it will not maintain such listing, it will obtain (where the Notes are initially so listed, prior to the delisting of the Notes from the Euro MTF Market), and thereafter use its best efforts to maintain, a listing of such Notes on another ''recognized stock exchange'' as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with or for the benefit of any Affiliate of the Company (such transaction or series of transactions being an ''*Affiliate Transaction*'') involving aggregate value in excess of £1.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction, individually or together with other related Affiliate Transactions, involves an aggregate value in excess of £5.0 million, the terms of such transaction have been approved by a resolution of the majority of the members of the Board of Directors of the Company resolving that such transaction complies with clause (1) above; and

(3) in the event such Affiliate Transaction, individually or together with other related Affiliate Transactions, involves an aggregate value in excess of £15.0 million, the Company has received a written opinion from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Company and its Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's length basis from a Person that is not an Affiliate.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) of this paragraph if such Affiliate Transaction is approved by a resolution of a majority of the Disinterested Directors. If there are no Disinterested Directors, any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this covenant if the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Company or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person on an arm's length basis.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under ''—Limitation on Restricted Payments,'' any Permitted Payments (other than pursuant to clause (9)(b) of the third paragraph of the covenant described under ''—Limitation on Restricted Payments'') or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (10), (11), (15) and (17) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(3) any Management Advances;

(4) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, which, in each case, are in the ordinary course of business and are either fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the senior management of the Company or the relevant Restricted Subsidiary or on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary of 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 Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of

Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture;

(11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Company 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 £1.0 million per fiscal year and (b) customary payments by the Company 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 acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Company or a member of senior management in good faith; and

(12) payment to any Permitted Holder of all reasonable out of pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Restricted Subsidiaries.

Reports

For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable the following information: (a) audited consolidated balance sheets of the Company or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company or its predecessor for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, EBITDA, ERC and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies, which is similar in scope to the information provided in this Offering Memorandum; (d) description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments, which is similar in scope to the information provided in this Offering Memorandum; and (e) a description of material risk factors and material recent developments;

(2) within 60 days (or in the case of the quarter ended March 31, 2013, 90 days) following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the quarter ended March 31, 2013, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recently completed quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA, ERC and material changes in liquidity and capital resources of the Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

(3) promptly after the occurrence of any material acquisition, disposition, restructuring, merger or similar transaction, or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statements and *pro forma* financial information shall be prepared in accordance with IFRS in effect on the date of such report or financial statement (or otherwise on the basis of IFRS then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods. Except as provided for below, no report needs to include separate financial statements for any Subsidiaries of the Company. At its election, the Company may also include financial statements of Holdings in lieu of those for the Company; *provided* that if the financial statements of Holdings are included in such report, a reasonably detailed description of material differences between the financial statements of Holdings and the Company shall be included for any period after the Issue Date.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by the clauses (1) and (2) of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: revenue, EBITDA, ERC, net income, cash, total assets, total debt, shareholders equity and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in (1), (2) and (3) above, the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such password protected website as may be then maintained by the Company and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Company in good faith) or (b) to the extent the Company determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant at the offices of the Paying Agent or post such reports on the official website of the Luxembourg Stock Exchange at *http://www.bourse.lu*.

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and consolidation

The Company, Holdings and the Issuer

None of the Company, Holdings or the Issuer will consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the ''*Successor Company*'') will be a Person organized and existing under the laws of any member state of the European Union on January 1, 2004 (other than Greece), or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway, Switzerland, Guernsey or Jersey and the Successor Company (if not the Company, Holdings or the Issuer, as applicable) will expressly assume, (a) by supplemental Indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company, Holdings or the Issuer, as applicable, under the Notes and the Indenture and (b) to the extent required by applicable law to effect such

assumption, all obligations of the Company, Holdings or the Issuer, as applicable, under the Intercreditor Agreement and the Security Documents;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional £1.00 of Indebtedness pursuant to the first paragraph of the covenant described under ''—Limitation on Indebtedness'' or (b) the Fixed Charge Coverage Ratio for the Successor Company and its Restricted Subsidiaries would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental Indenture (if any) comply with the Indenture, and that all conditions precedent therein provided for relating to such transaction have been complied with and an Opinion of Counsel to the effect that such supplemental Indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company and the Notes constitute legal, valid and binding obligations of the Successor Company, enforceable in accordance with their terms (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under ''—Limitation on Indebtedness.''

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all the properties and assets of one or more Subsidiaries of the Company or Holdings, which properties and assets, if held by the Company or Holdings, as applicable, instead of such Subsidiaries, would constitute all or substantially all the properties and assets of the Company or Holdings, as applicable, on a consolidated basis, shall be deemed to be the transfer of all or substantially all the properties and assets of the Company or Holdings, as applicable.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the Notes but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, clause (4) of the first paragraph of this covenant, (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Company and (b) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary. Notwithstanding the preceding clauses (2) and (3) (which does not apply to the transactions referred to in this sentence), the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company, reincorporating the Company in another jurisdiction, or changing the legal form of the Company.

There is no precise established definition of the phrase ''substantially all'' under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve ''all or substantially all'' of the property or assets of a Person.

Subsidiary Guarantors

No Subsidiary Guarantor may:

(1) consolidate with or merge with or into any Person; or

(2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person;or

(3) permit any Person to merge with or into the Subsidiary Guarantor;

unless

(A) the other Person is the Company or a Subsidiary Guarantor or becomes a Subsidiary Guarantor concurrently with the transaction; or

(B) (1) either (x) a Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all the obligations of the Subsidiary Guarantor under its Note Guarantee and, to the extent required by applicable law to effect such assumption, the obligations under the Intercreditor Agreement and the Security Documents and, if applicable, the Proceeds Loan Agreement; and (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

There is no precise established definition of the phrase ''substantially all'' under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve ''all or substantially all'' of the property or assets of a Person.

Suspension of covenants on achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a ''*Suspension Event*''), then, the Issuer shall notify the Trustee of this fact and beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: ''—Limitation on Restricted Payments,'' ''—Limitation on Indebtedness,'' ''—Limitation on Restrictions on Distributions from Restricted Subsidiaries,'' ''—Limitation on Affiliate Transactions,'' ''—Limitation on Sales of Assets and Subsidiary Stock,'' and the provisions of clause (3) of the first paragraph of the covenant described under ''—Merger and Consolidation,'' and, in each case, any related default provision of such Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the ''—Limitation on Restricted Payments'' covenant will be interpreted as if it has been in effect since the date of such Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company's option, as having been Incurred pursuant to the first paragraph of the covenant described under ''—Limitation on Indebtedness'' or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the covenant described under ''—Limitation on Indebtedness,'' such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under ''—Limitation on Indebtedness''.

Impairment of security interest

The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action, which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, any interest whatsoever in any of the Collateral that is prohibited by the covenant entitled ''Limitation on Liens;'' *provided*, that the Company and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged, transferred or released in accordance with the Indenture, the Intercreditor Agreement or the applicable Security Documents. Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any security interest in accordance with the Indenture and the Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided*, *however*, that, except where permitted by the Indenture or the Intercreditor Agreement, no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, supplement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the person granting the security interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), or (3) an opinion of counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Security Agent and the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, supplemented, modified or released and retaken are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or release and retake and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject. In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Further assurances

Subject to the Agreed Security Principles, the Company and its Restricted Subsidiaries will, at their own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. Subject to the Agreed Security Principles, the Company and its Restricted Subsidiaries will execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Subject to the Agreed Security Principles, if any Restricted Subsidiary becomes a Guarantor pursuant to the Indenture hereof, the Company will cause such Guarantor to provide security over substantially all of its assets in favor of the Security Agent for the benefit of the Trustee acting for and on behalf of the Holders and consistently with the Intercreditor Agreement. For the avoidance of doubt, the assets and shares of any Permitted Purchase Obligations SPV will be excluded from the Collateral.

Limitation on permitted activities

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Similar Business, except to the extent as would not be material to the Company and the Restricted Subsidiaries taken as a whole.

Limitation on Issuer activities

The Issuer will not engage in any business activity or undertake any other activity, other than: (a) subject to compliance with the terms of the Indenture, related to the offering, sale, issuance, servicing, purchase; redemption, amendment, exchange, refinancing or retirement of or investment in the Notes or any Public Debt; (b) undertaken with the purpose of, and directly related to, fulfilling its obligations under the Notes, the Indenture and any other document relating to the Notes (including the Proceeds Loan), the Security Documents, the Intercreditor Agreement and the Revolving Credit Facility or any document relating to any Public Debt; (c) related to the establishment and maintenance of the Issuer's corporate existence; (d) related to using amounts received by the Issuer to make investments in cash or Cash Equivalents in a manner not otherwise prohibited by the Indenture; or (e) reasonably related to the foregoing. The Issuer will not (a) incur any Indebtedness (except to the Company or a Wholly-Owned Restricted Subsidiary) other than, subject to compliance with the terms of the Indenture, the Notes or any Public Debt, (b) issue any Capital Stock (other than to the Company or a Wholly-Owned Restricted Subsidiary) or (c) undertake any transaction that will require the Issuer to register as an ''investment company'' or an entity ''controlled by an investment company'' as defined in the U.S. Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

The Issuer will not, and the Company will not permit the Issuer to, use the proceeds from the issuance of the Notes other than (i) to pay fees and expenses related to the offering of the Notes and (ii) to subscribe for the Proceeds Loan issued by the Intercompany Borrowers promptly upon the receipt of proceeds from the issuance of the Notes.

Limitation on Company activities

The Company will not engage in any business or undertake any other activity, own any assets or incur any liabilities other than: (a) ownership of the Capital Stock of Holdings, debit and credit balances with its Restricted Subsidiaries and other minimal credit and cash balances in bank accounts and related Investments in Cash Equivalents, Temporary Cash Investments or Investment Grade Securities; (b) the provision of administration services (including the on-lending of monies to Restricted Subsidiaries in the manner described in (a) above) and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services; (c) the entry into and performance of its obligations (and incurrence of liabilities) under the Notes, the Indenture, the Revolving Credit Facility, any Hedging Obligations, any Public Debt, other Indebtedness (including any Additional Notes) or any other obligations, in each case permitted by the Indenture, any Security Document to which it is a party, the Intercreditor Agreement or any proceeds loans relating to the foregoing; (d) the making of any payments or other distributions of the types specified in clauses (1), (2) and (3) of the definition of Restricted Payments in compliance with the covenant described above under ''—Limitation on Restricted Payments'' and the making of any Permitted Investments of the types specified under clauses (6) and (16) of the definition thereof; (e) reorganizations for bona fide corporate purposes in compliance with the covenant described above under ''—Merger and consolidation''; *provided* that any successor entity resulting from any such reorganization is subject to the covenant described in this paragraph; (f) the granting of security interests in accordance with the terms of the Notes, the Indenture, the Revolving Credit Facility, any Hedging Obligations, any Public Debt, other Indebtedness or any other obligations, in each case permitted by the Indenture, any Security Document to which it is a party, the Intercreditor Agreement or any proceeds loans relating to the foregoing; (g) professional fees and administration costs in the ordinary course of business as a holding company; (h) related or reasonably incidental to the establishment or maintenance of its or its Subsidiaries' corporate existence; (i) any liabilities under any purchase agreement or any other document entered into in connection with the issuance of the Notes or any other Indebtedness permitted under the Indenture (including any Additional Notes); and (j) any other activities which are not specifically listed above and (i) which are ancillary to or related to those listed above or (ii) which are de minimis in nature.

Limitation on Trust Management SPVs

No Trust Management SPV will: (a) engage in any business activity or undertake any other activity, other than such activities (i) necessary or ancillary to managing Trust Management Assets including as necessary to fulfil any obligations or duties of the Trust Management SPV as a trustee and including as specifically contemplated hereby including the disposition of any Trust Management Assets, incurrence of Indebtedness where the proceeds of such Indebtedness are used to finance the purchase of Trust Management Assets and granting liens on Trust Management Assets or (ii) related to the establishment and maintenance of the Trust Management SPV; (b) issue any Capital Stock other than to the Company or any other Restricted Subsidiary; (c) incur any Indebtedness other than Indebtedness without recourse to the Company or any other Restricted Subsidiary or any of their assets; (d) hold any assets other than Trust Management Assets and any other assets necessary or ancillary to managing such Trust Management Assets; (e) establish any subsidiaries or own Capital Stock of any entity for any purpose or (f) undertake any transaction that will require the Issuer to register as an ''investment company'' or an entity ''controlled by an investment company'' as defined in the U.S. Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

Limitations on amendments to the Proceeds Loan

For so long as any Notes are outstanding, the Issuer will not, except as expressly permitted by the Indenture, (i) change the Stated Maturity of the principal of, or any installment of interest on the Proceeds Loan; (ii) reduce the rate of interest on the Proceeds Loan; (iii) change the currency for payment of any amount under the Proceeds Loan; (iv) prepay or otherwise reduce or permit the prepayment or reduction of the Proceeds Loan (except to facilitate a payment of principal on the Notes); (v) assign or novate any Proceeds Loan or any rights or obligations under the Proceeds Loan Agreement (other than to secure the Notes and the Note Guarantees or to grant any Permitted Collateral Lien or in connection with a transaction that is subject to the covenant described under the caption ''—Merger and Consolidation'' and is completed in compliance therewith); or (vi) amend, modify or alter the Proceeds Loan or the Proceeds Loan Agreement and the terms of the Intercreditor Agreement related to the Proceeds Loan in any manner adverse to the rights of the Holders in any material respect. Notwithstanding the foregoing, (i) the Proceeds Loan may be prepaid or reduced to facilitate or otherwise accommodate or reflect a repayment, redemption or repurchase of outstanding Notes and (ii) to the extent not having a materially adverse effect to Holders, the Proceeds Loan may be novated and/or assigned to any Guarantor.

Payments for consent

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to all Holders and is paid to all Holders that so consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer, the Company and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude Holders in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an exchange offer or an offer to purchase for cash, or (ii) the payment of the consideration therefor (A) would require the Issuer, the Company or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer and the Company in their sole discretion determine (acting in good faith) would be materially burdensome; or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Events of Default

Each of the following is an ''*Event of Default*'' under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of 25% in principal amount of the outstanding Notes with the Issuer's obligations under the covenants described under ''—Change of Control'' above or the Guarantors' or the Restricted Subsidiaries' or the Issuer's obligations under the covenants described under ''—Certain Covenants'' above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);

(4) failure to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of 25% in principal amount of the outstanding Notes with the Guarantors' or Issuer's other agreements contained in the Indenture;

(5) default under any mortgage, Indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default: (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (''*payment default*''); or (b) results in the acceleration of such Indebtedness prior to its maturity (the ''cross acceleration provision''); and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates £10.0 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer, the Company, Holdings or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary;

(7) failure by the Issuer, the Company or any Restricted Subsidiary to pay final judgments aggregating in excess of £12.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final;

(8) any security interest under the Security Documents on any material Collateral shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days;

(9) any Note Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture or a Guarantor denies or disaffirms its obligations under its Note Guarantee, other than in accordance with the terms thereof or upon release of the Note Guarantee in accordance with the Indenture; and

(10) except in accordance with the Indenture or as a result of a repayment in full, a Proceeds Loan Agreement ceases to be in full force and effect or is declared fully or partially void in a judicial proceeding or the Intercompany Borrowers or any other Restricted Subsidiary asserts that any Proceeds Loan is fully or partially invalid.

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes notify the Issuer of the default and, with respect to clauses (3), (4), (5) and (7) the Issuer does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) of this ''Events of Default'' section has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of not less than a majority in aggregate principal amount of the Notes then outstanding under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to (i) nonpayment of principal, premium or interest, or Additional Amounts, if any and (ii) a covenant or provision which under the Indenture cannot be modified or amended without the consent of the Holders of not less than 90% in aggregate principal amount of the Notes then outstanding, each of which may only be waived with the consent of the Holders of not less than 90% in aggregate principal amount of the Notes then outstanding) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing the Trustee security (including by way of pre-funding) and/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 written request and the offer of security (including by way of pre-funding) and/or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in 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 and/or security by the Holders (including by way of pre-funding) satisfactory to it against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year (and within 14 days upon request at any time after the 120 days), an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured by the Holders (including by way of pre-funding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for the Holders to take action directly.

Amendments and waivers

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) *provided* that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Notes, an amendment or waiver may not, with respect to any such Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;

(3) reduce the principal of or extend the Stated Maturity of any such Note;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under ''—Optional Redemption'' or ''—Redemption for Taxation Reasons'';

(5) make any such Note payable in currency other than that stated in such Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under ''—Additional Amounts'' that adversely affects the right of any Holder of such Notes in any material respect;

(8) release all or substantially all the Guarantors from their obligations under their respective Note Guarantees or the Indenture, except otherwise in accordance with the terms of the Indenture;

(9) release the security interest granted for the benefit of the Holders in the Collateral other than pursuant to the terms of the Security Documents or as otherwise permitted by the Indenture and the Intercreditor Agreement;

(10) waive a Default or Event of Default with respect to the nonpayment of principal, premium, interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Guarantors, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision of the Note Documents to this ''Description of the Notes,'' or reduce the minimum denomination of the Notes;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or the Guarantors under any Note Document;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code);

(4) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer, the Company or any Restricted Subsidiary;

(5) make any change that does not adversely affect the rights of any Holder in any material respect or to make any change that would provide any additional rights or benefits to the holders of Notes;

(6) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes;

(7) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under ''—Certain Covenants—Additional Note Guarantees,'' to add Note Guarantees, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture or the Security Documents;

(8) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Note Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Revolving Credit Facility, in any property which is required by the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under ''—Certain Covenants—Impairment of Security Interest'' is complied with; or

(10) to release Collateral in accordance with the terms of the Indenture, the Intercreditor Agreement and the Security Documents or to release any Note Guarantee in accordance with the terms of the Indenture and the Intercreditor Agreement.

The Issuer will, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange, to the extent required by the rules of such exchange, inform the Luxembourg Stock Exchange of any of the foregoing amendments, supplements and waivers and provide, if necessary, a supplement to this offering memorandum setting forth reasonable details in connection with any such amendments, supplements or waivers.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer, the Company and the Guarantors under the Notes and the Indenture (''legal defeasance'') and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate all obligations under the covenants described under ''—Certain Covenants'' (other than clauses (1) and (2) of ''—Certain Covenants—Merger and Consolidation'') and ''—Change of Control'' and the default provisions relating to such covenants described under ''—Events of Default'' above, the operation of the cross default upon a payment default, the cross acceleration provisions, the bankruptcy provisions, the judgment default provision, the guarantee default provision and the security default provision described under ''—Events of Default'' above (''covenant defeasance'').

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of the covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under ''—Certain Covenants—Merger and Consolidation''), (4), (5), (6) (other than with respect to the Issuer, Holdings and the Company), (7), (8) or (9) under ''—Events of Default'' above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the ''defeasance trust'') with the Trustee (or such other entity designated by the Trustee for this purpose) cash in pounds sterling, UK Government Obligations, or a combination of cash in pounds sterling and UK Government Obligations in such amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the Issue Date);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and discharge

The Indenture, and the rights of the Trustee and the Holders under the Security Document will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such other entity designated by the Trustee for this purpose), cash in pounds sterling, UK Government Obligations, or a combination of cash in pounds sterling and UK Government Obligations in an amount sufficient in the good faith determination of the Issuer to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; and (4) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the ''—Satisfaction and Discharge'' section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)) and the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited amounts towards payment of the Notes at maturity or on the redemption date, as the case may be.

No personal liability of directors, officers, employees and shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or the Company or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer, the Company or the Guarantors under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and certain agents

The Bank of New York Mellon is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Trustee will be permitted to engage in other transactions with the Company, the Issuer and their respective Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

All notices to Holders will be validly given if mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. For so long as any Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests. In addition, for so long as any of the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, notices with respect to the Notes listed on the Euro MTF Market will be published on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or if, in the opinion of the Trustee such publication is not practicable, in an English language newspaper having general circulation in Europe.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Person if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes or any Note Guarantee will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency indemnity

Pounds sterling is the sole currency of account and payment for all sums payable by the Issuer and any Guarantor under or in connection with the Notes or any Note Guarantee, as applicable, including damages. Any amount received or recovered in a currency other than pounds sterling, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or any Guarantor will only constitute a discharge to the Issuer or such Guarantor to the extent of the pounds sterling 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 pounds sterling amount is less than the pounds sterling amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder or the Trustee to certify in a manner satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or to the Trustee.

Enforceability of judgments

Since all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against any of them, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to jurisdiction and service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing law

The Indenture and the Notes, including any Note Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

''*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 Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

''*Additional Assets*'' means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary engaged in a Similar Business.

''*Affiliate*'' of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person *provided* that entities which hold a direct or indirect interest in RBS Asset Management Holdings shall not be affiliates of the Company or its Restricted Subsidiaries as long as the Company and its Restricted Subsidiaries are not consolidated in the financial statements of The Royal Bank of Scotland Group plc. For the purposes of this definition, ''control,'' when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms ''controlling'' and ''controlled'' have meanings correlative to the foregoing.

''*Agreed Security Principles*'' means the agreed security principles as set out in an annex to the Indenture as in effect on the Issue Date, as applied reasonably and in good faith by the Company.

''*Applicable Premium*'' means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of such Note; or

(2) the excess of:

   (i) the present value at such redemption date of (x) the redemption price of such Note at March 1, 2016 (such redemption price being set forth in the table appearing under the caption ''—Optional Redemption''), plus (y) all required interest payments due on such Note through March 1, 2016 (excluding accrued but unpaid interest), computed using a discount rate equal to the Gilt Rate as of such redemption date plus 50 basis points; over

   (ii) the outstanding principal amount of such Note;

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee or Paying Agent.

''*Asset Disposition*'' means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a ''disposition'') by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, conveyance or other disposition of all or substantially all the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption ''—Change of Control'' or the provisions described above under the caption ''—Certain Covenants—Merger and Consolidation'' and not by the provisions of the Asset Disposition covenant.

Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of Portfolio Assets or inventory or other assets, in each case, in the ordinary course of business including into a trust in favor of third parties or otherwise;

(4) a disposition of obsolete, surplus or worn out equipment, or equipment or other property that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;

(5) transactions permitted under ''—Certain Covenants—Merger and Consolidation—The Company, Holdings and the Issuer'' or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Company) of less than the greater of (i) £3.0 million and (ii) 1.5% of Total Assets;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under ''—Certain Covenants—Limitation on Restricted Payments'' and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph under ''—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock,'' asset sales, in respect of which (and only to the extent that) the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of Receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(14) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind; and

(15) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and leaseback transactions, finance leases, asset securitizations and other similar financings permitted by the Indenture where the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (15), does not exceed the greater of (i) £3.0 million and (ii) 1.5% of Total Assets.

''*Associate*'' means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Company or any Restricted Subsidiary.

''*Board of Directors*'' means (1) with respect to the Company, the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

''*Business Day*'' means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, New York, New York, United States or Luxembourg are authorized or required by law to close; *provided*, *however*, that for any payments to be made under the Indenture, such day shall also be a day on which the second generation Trans-European Automated Real-time Gross Settlement Express Transfer (''TARGET2'') payment system is open for the settlement of payments.

''*Capital Stock*'' of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

''*Capitalized Lease Obligation*'' means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS as in effect on the Issue Date. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS as in effect on the Issue Date, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

''*Cash Equivalents*'' means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union (other than Greece, Ireland, Portugal and Italy), Switzerland or Norway or, in each case, any agency or instrumentality of thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances (in each case, including any such deposits made pursuant to any sinking fund established by the Company or any Restricted Subsidiary) having maturities of not more than one year from the date of acquisition thereof issued by any lender party to a Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least ''A-1'' or the equivalent thereof by S&P or at least ''P-1'' or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least ''A-2'' or the equivalent thereof by S&P or ''P-2'' or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union (other than Greece and Portugal), Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or Preferred Stock issued by Persons with a rating of ''BBB−'' or higher from S&P or ''Baa3'' or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union (other than Greece and Portugal), Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

''*Change of Control*'' means:

(1) the Company becomes aware (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) that any ''person'' or ''group'' of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), 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 Company, *provided* that for the purposes of this clause, any holding company whose only asset is the Capital Stock of the Company will not itself be considered a ''person'' or ''group'';

(2) following the Initial Public Offering of the Company or any Parent, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Company or any Parent (together with any new directors whose election by the majority of such directors on such Board of Directors of the Company or any Parent or whose nomination for election by shareholders of the Company or any Parent, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the Company or any Parent then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Company or any Parent, then in office; or

(3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

''*Change of Control Triggering Event* ''means (a) prior to the earlier of (i) the 24-month anniversary of the Issue Date and (ii) the completion of a Change of Control Offer in accordance with ''—Change of Control'', the occurrence of both (x) a Change of Control and (y) a Specified Change of Control Event, or (b) on or after the earlier of (i) the 24-month anniversary of the Issue Date and (ii) the completion of a Change of Control Offer in accordance with ''—Change of Control'', the occurrence of a Change of Control.

''*Clearstream*'' means Clearstream Banking, société anonyme, or any successor securities clearing agency.

''*Code*'' means the U.S. Internal Revenue Code of 1986, as amended.

''*Commodity Hedging Agreements*'' means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

''*Company*'' means Arrow Global Guernsey Holdings Limited and its successors and assigns.

''*Consolidated EBITDA*'' for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Fixed Charges plus, to the extent not already included or added back, any costs associated with Hedging Obligations or derivatives;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization expense, including any amortization of Portfolio Assets;

(5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful) (including any such fees, expenses or charges related to the Transactions), in each case, as determined in good faith by an Officer of the Company;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of management, monitoring, consulting, employment and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under ''—Certain Covenants—Limitation on Affiliate Transactions'' not exceeding £1.0 million; and

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization, non-cash items, charges and write-downs of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income for the purposes of this definition.

''*Consolidated Income Taxes*'' means Taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding Taxes) and Corporation Tax and franchise Taxes of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

''*Consolidated Interest Expense*'' means, with respect to any Person for any period, without duplication, (1) interest payable (whether in cash or capitalized) on Financial Indebtedness of such Person and its Restricted Subsidiaries for such period, plus (i) any amortization of debt discount with respect to such Indebtedness and (ii) any commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing or bank guarantees, but, in each case, excluding any expense associated with Subordinated Shareholder Funding less (2) interest income for such period.

‘‘*Consolidated Leverage*’’ means the sum of the aggregate outstanding Financial Indebtedness of the Company and its Restricted Subsidiaries as of the relevant date of calculation on a consolidated basis in accordance with IFRS.

‘‘*Consolidated Leverage Ratio*’’ means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available; *provided*, *however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination: (1) since the beginning of such period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a ‘‘Sale’’) or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such Sale constitutes ‘‘discontinued operations’’ in accordance with the then applicable IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period; (2) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a ‘‘Purchase’’), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income and Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including in respect of synergies and cost savings) and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

‘‘*Consolidated Net Income*’’ means, for any period, the profit (loss) on ordinary activities after taxation of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents (x) actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment or Restricted Subsidiary or (y) but only for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under ‘‘—Certain Covenants—Limitation on Restricted Payments’’ that could have been distributed, as reasonably determined by an Officer of the Company (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under ‘‘—Certain Covenants—Limitation on Restricted Payments,’’ any profit (loss) on ordinary activities after taxation of any Restricted Subsidiary (other than any Guarantor) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted

Subsidiary, directly or indirectly, to the Company or a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to or permitted under the Revolving Credit Facility, the Notes or the Indenture, and (c) restrictions specified in clause (11)(i) of the second paragraph of the covenant described under ''—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries,'') except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (as determined in good faith by the Company), or any charges or reserves in respect of any restructuring, redundancy or severance expense;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of any consummated acquisition, or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(12) any goodwill or other intangible asset impairment charge or write-off; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

''*Contingent Obligations*'' means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (''primary obligations'') of any other Person (the ''primary obligor''), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds: (a) for the purchase or payment of any such primary obligation; or (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

''*Credit Facility*'' means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended from time to time (whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term ''Credit Facility'' shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

''*Currency Agreement*'' means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

''*Default*'' means any event which is, or after notice or passage of time or both would be, an Event of Default.

''*Designated Non-Cash Consideration*'' means the fair market value (as determined in good faith by the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under ''—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.''

''*Designated Preference Shares*'' means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as ''Designated Preference Shares'' pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under ''—Certain Covenants—Limitation on Restricted Payments.''

''*Disinterested Director*'' means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Company having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Company shall be deemed not to have such a financial interest solely by reason of such member's holding Capital Stock of the Company or any Parent or any options, warrants or other rights in respect of such Capital Stock.

“*Disqualified Stock*” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided*, *however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under “—Certain Covenants—Limitation on Restricted Payments.”

“*Equity Investors*” means RBS, funds managed by RBS or any of their Affiliates, or any co-investment vehicle managed by RBS or any of their Affiliates.

“*Equity Offering*” means (x) a sale of Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares and other than an Excluded Contribution) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities of the Parent, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or any of its Restricted Subsidiaries.

“*ERC*” means, for any date of calculation, the aggregate amount of estimated remaining gross collections projected to be received by the Company and its Restricted Subsidiaries from all Portfolio Assets owned by the Company 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.

“*Escrowed Proceeds*” means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term “Escrowed Proceeds” shall include any interest earned on the amounts held in escrow.

“*Euroclear*” means Euroclear Bank SA/NV or any successor securities clearing agency.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Excluded Contribution*” means Net Cash Proceeds or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Company.

“*fair market value*” may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

''*Financial Indebtedness*'' means any Indebtedness described under clauses (1), (2), (4), (5), (6) and (7) of the definition of ''Indebtedness''.

''*Fixed Charge Coverage Ratio*'' means, with respect to any Person on any determination date, the ratio of Consolidated EBITDA of such Person for the most recently completed four consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements are available to the Fixed Charges of such Person and its Restricted Subsidiaries for such four consecutive fiscal quarters. In the event that the Company or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires or extinguishes any Indebtedness (other than, in the case of redemption, defeasance, retirement or extinguishment, Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the ''Fixed Charge Coverage Ratio Calculation Date''), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, assumption, Guarantee, redemption, defeasance, retirement or extinguishment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period; *provided*, *however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under ''—Certain Covenants—Limitation on Indebtedness'' or (ii) the discharge on the Fixed Charge Coverage Ratio Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under ''—Certain Covenants—Limitation on Indebtedness.''

For purposes of making the computation referred to above, any Investment, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations that have been made by the Company or any of its Restricted Subsidiaries during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or disposed or discontinued any operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation or disposed or discontinued operation had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be made in good faith by a responsible financial or chief accounting officer of the Company (including synergies and cost savings). If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Company may designate.

''*Fixed Charges*'' means, with respect to any Person for any period, the sum of:

(1) Consolidated Interest Expense of such Person for such period;

(2) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Preferred Stock during such period;

(3) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period; and

(4) any interest expense on Indebtedness of another person that is guaranteed by such Person or its Restricted Subsidiaries or secured by a Lien on assets of such Person or its Restricted Subsidiaries, but only to the extent such guarantee or Lien is called upon,

determined on a consolidated basis in accordance with IFRS.

''*Gilt Rate*'' means, as of any redemption date, the yield to maturity as of such redemption date of United Kingdom government securities with a fixed maturity (as compiled by the debt management office statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to March 1, 2016; *provided*, *however*, that if the period from such redemption date to March 1, 2016 is less than one year, the weekly average yield on actually traded United Kingdom government securities denominated in sterling adjusted to a fixed maturity of one year shall be used.

''*Governmental Authority*'' means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

''*Guarantee*'' means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term ''Guarantee'' will not include endorsements for collection or deposit in the ordinary course of business. The term ''Guarantee'' used as a verb has a corresponding meaning.

''*Guarantor*'' means the Company and any Restricted Subsidiary that Guarantees the Notes.

''*Hedging Obligations*'' of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a ''Hedging Agreement'').

''*Holder*'' means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the nominee of Euroclear and Clearstream.

''*IFRS*'' means the International Financial Reporting Standards (formerly, International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date the Company may make an irrevocable election to establish that ''IFRS'' shall mean IFRS as in effect on a date that is on or prior to the date of such election. The Company shall give notice of any such election to the Trustee.

''*Immaterial Subsidiary*'' means any Restricted Subsidiary that (i) has not guaranteed, or is not a co-obligor under, any other Indebtedness of the Issuer or any Guarantor and (ii) (A) has Total Assets (as determined in accordance with IFRS) of less than 5% of the Company's consolidated Total Assets and (B) has Consolidated EBITDA of less than 5% of the Company's Consolidated EBITDA (in each case, measured (i) for the four quarters ended most recently for which internal financial statements are available, (ii) on a *pro forma* basis giving effect to any acquisitions or depositions of companies, division or lines of business since such balance sheet date or the start of such four quarter period, as applicable and (iii) on the basis of management accounts and excluding intercompany balances, investments in subsidiaries and joint ventures and intangible assets).

''*Incur*'' means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms ''*Incurred*'' and ''*Incurrence*'' have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility 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 and such obligations are satisfied within 30 days of Incurrence);

(4) Capitalized Lease Obligations of such Person;

(5) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary (other than the Issuer), any Preferred Stock (but excluding, in each case, any accrued dividends);

(6) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (b) the amount of such Indebtedness of such other Persons;

(7) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(8) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term ''Indebtedness'' shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, any asset retirement obligations, prepayments or deposits received from clients or customers, in each case, in the ordinary course of business, or obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (5), (6) or (8) above) shall be (a) in the case of any Indebtedness issued with original issue discount, the amount in respect thereof that would appear on the balance sheet of such Person in accordance with IFRS and (b) the principal amount of the Indebtedness, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business;

(ii) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; or

(iv) Indebtedness of a Trust Management SPV where the proceeds of such Indebtedness are used to finance the purchase of assets to be held in such trust; *provided* that the incurrence of such Indebtedness is without recourse to and contains no obligation on the Company or any other Restricted Subsidiary or any of their assets in any way.

''*Independent Financial Advisor*'' means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Company.

''*Initial Public Offering*'' means an Equity Offering of common stock or other common equity interests of the Company or any Parent or any successor of the Company or any Parent (the ''IPO Entity'') following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

''*Intercreditor Agreement*'' means the intercreditor agreement to be dated on or about the Issue Date made between the Issuer, the Guarantors, the Security Agent, the agent for the Revolving Credit Facility, the Trustee and the other parties named therein, as amended, restated or otherwise modified or varied from time to time.

''*Interest Rate Agreement*'' means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

''*Investment*'' means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any purchase of Portfolio Assets or debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption ''—Certain Covenants—Limitation on Restricted Payments.''

For purposes of ''—Certain Covenants—Limitation on Restricted Payments'':

(1) ''*Investment*'' will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent ''Investment'' in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company's ''Investment'' in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

''*Investment Grade Securities*'' means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union (other than Greece and Portugal), or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of ''A—'' or higher from S&P or ''A3'' or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

''*Investment Grade Status*'' shall occur when the Notes receive both of the following: (1) a rating of ''BBB−'' or higher from S&P; and (2) a rating of ''Baa3'' or higher from Moody's; or the equivalent of such ratings by either such rating organizations or, if no rating of Moody's or S&P then exists, the equivalent of such applicable rating by any other Nationally Recognized Statistical Ratings Organization.

''*IPO Entity*'' has the meaning given to it in the definition of ''Initial Public Offering.''

''*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 interest are sold in such Initial Public Offering.

''*Issue Date* ''means January 29, 2013.

''*Lien*'' means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

''*Management Advances*'' means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Company or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or (3) not exceeding £0.5 million in the aggregate outstanding at any time.

''*Management Investors*'' means the officers, directors, employees and other members of the management of or consultants to any Parent, the Company or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent.

''*Market Capitalization*'' means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

''*Minority Holder*'' means each of Javlin Partners LLP, Dominion Pension Plan Trustees (Jersey Limited) as trustee of the RBS (Peter Nielsen) Pension Plan and Merklands Limited.

''*Moody's*'' means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

''*Nationally Recognized Statistical Rating Organization*'' means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

''*Net Available Cash*'' from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which are required by applicable law to be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

''*Net Cash Proceeds*,'' with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions).

''*Note Documents*'' means the Notes (including Additional Notes), the Indenture, the Intercreditor Agreement, the Proceeds Loan Agreement and the Security Documents.

''*Officer*'' means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an ''Officer'' for the purposes of the Indenture by the Board of Directors of such Person.

''*Officer's Certificate*'' means, with respect to any Person, a certificate signed by one Officer of such Person.

''*Opinion of Counsel*'' means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

''*Parent*'' means any person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holdings its investment in any Parent.

''*Parent Expenses*'' means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the

Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent or any Equity Investor or any of its Affiliates related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries and Equity Investor or any of its Affiliates (including, without limitation, accounting, legal, corporate reporting, and administrative expenses as well as payments made pursuant to secondment, employment or similar agreements entered into between the Company and/or any of its Restricted Subsidiaries and/or any Parent and any Equity Investor or any of its Affiliates or any employee thereof), (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, of the Issuer by any Parent, (c) any taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to officers and employees of such Parent, and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(5) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries in an amount not to exceed £1.0 million in any fiscal year;

(6) expenses Incurred by any Parent in connection with any Public Offering or other sale of Capital Stock or Indebtedness: (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary, (y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed, or (z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(7) any income taxes, to the extent such income taxes are attributable to the income of the Company and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries.

''*Pari Passu Indebtedness*'' means Indebtedness of the Company (other than Indebtedness of the Company pursuant to the Revolving Credit Facility) or any Guarantor if such Guarantee ranks equally in right of payment to the Note Guarantees which, in each case, is secured by Liens on the Collateral.

''*Paying Agent*'' means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

''*Permitted Asset Swap*'' means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Company or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under ''—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.''

''*Permitted Collateral Liens*'' means (A) Liens on the Collateral described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (10), (11), (12), (13), (14), (18), (19), (20), (21), (22), (23) and (25) of the definition of ''Permitted Liens'', (B) Liens on the Collateral to secure Indebtedness of the Company or a Restricted Subsidiary that is permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a) and (c) (if the original Indebtedness was so secured), (6) or (11) of the second paragraph of the covenant described under ''—Certain Covenants—Limitation on Indebtedness''; *provided*, *however*, that such Lien ranks equal to all other Liens on such Collateral securing Indebtedness of the Company or such Restricted Subsidiary, as applicable (except that a Lien in favor of Indebtedness incurred under clause (1) of the second paragraph of ''—Certain Covenants—

Limitation on Indebtedness'' and a Lien in favor of Priority Hedging Obligations may have super priority not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date as provided in the Intercreditor Agreement as in effect on the Issue Date), (C) Liens on the Collateral securing Indebtedness incurred under the first paragraph of ''—Certain Covenants—Limitation on Indebtedness''; *provided* that, in the case of this clause (C), after giving effect to such incurrence on that date, the Secured LTV Ratio is less than 0.60, or (D) Liens on Collateral securing Refinancing Indebtedness in respect of any Indebtedness secured pursuant to the foregoing clauses (A), (B) and (C). To the extent that a Lien on the Collateral consists of a mortgage over any real estate located in the United Kingdom, it shall constitute a Permitted Collateral Lien only to the extent that a mortgage ranking at least pari passu is granted in favor of the Security Agent for the benefit of the Trustee and the Holders.

''*Permitted Holders*'' means, collectively, (1) the Equity Investors and any Affiliate or Related Person of any of them, (2) any one or more Persons whose beneficial ownership constitutes or results in a Change of Control Triggering Event in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, (3) other than for purposes of clause (12) of the second paragraph of ''—Certain Covenants—Limitation on Affiliate Transactions'' in connection with the initial investment of any such Person in the Company and its Restricted Subsidiaries, any one or more Persons whose beneficial ownership would have constituted or resulted in a Change of Control Triggering Event but for the fact that such Change of Control is not also a Specified Change of Control Event, (4) Senior Management and Related Persons and (5) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Company, acting in such capacity; *provided* that for the purposes of clause (1) of the definition of Change of Control, the beneficial ownership of Voting Stock of any Permitted Holders as defined in clauses (1), (2) and (4) above shall be deemed to include the amount of Voting Stock beneficially owned by any Minority Holders acting together or in concert with such Equity Investors. Any person or group that includes a Permitted Holder shall also be deemed to be a Permitted Holder, *provided* that Permitted Holders as defined in clauses (1), (2) and (4) above retain exclusive beneficial ownership and control of at least 50.1% of the total voting power of the Voting Stock of the Company beneficially owned by any group that becomes a Permitted Holder at any time as a result of the application of this sentence (without giving effect to the existence of such group or any other group).

''*Permitted Investment*'' means (in each case, by the Company or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in Receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with ''—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock'';

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a legally binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with ''—Certain Covenants—Limitation on Indebtedness'';

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of £12.0 million and 4.5% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under ''—Certain Covenants—Limitation on Restricted Payments,'' such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of ''Permitted Investments'' and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of ''Permitted Liens'' or made in connection with Liens permitted under the covenant described under ''—Certain Covenants—Limitation on Liens'';

(13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under ''—Certain Covenants—Limitation on Affiliate Transactions'' (except those described in clauses (1), (3), (6), (8), (9), (11) and (12) of that paragraph);

(15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;

(16) Guarantees not prohibited by the covenant described under ''—Certain Covenants—Limitation on Indebtedness'' and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(17) Investments in Associates or Unrestricted Subsidiaries in an aggregate amount when taken together with all other Investments made pursuant to this clause (17) that are at the time outstanding not to exceed the greater of £7.5 million and 3.7% of Total Assets; and

(18) Investments in the Notes and any Additional Notes and Investments pursuant to the Proceeds Loan.

''*Permitted Liens*'' means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property in accordance with clause (7) of the second paragraph of the covenant described under ''—Limitation on Indebtedness''; provided that any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided*, *however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, *further*, that such Liens do not extend to or cover any property or assets of the Company and its Restricted Subsidiaries other than (A) the property or assets acquired or (B) the property or assets of the person acquired, merged with or into or consolidated or combined with the Company or a Restricted Subsidiary;

(15) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;

(16) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;

(23) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(24) Liens which do not exceed £5.0 million at any one time outstanding;

(25) Liens on Capital Stock of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) Liens securing Permitted Purchase Obligations, provided that any such Lien is only over the assets and Capital Stock of the relevant Permitted Purchase Obligations SPV;

(27) Liens on Rights to Collect Accounts, performing accounts, sub-performing accounts, charged-off accounts, cash and bank accounts, loans, receivables, mortgages, debentures, claims or other similar assets or instruments held on trust for third parties; and

(28) Liens on Trust Management Assets, provided such liens do not secure any Indebtedness of the Company or any Restricted Subsidiary other than a Trust Management SPV.

''*Permitted Purchase Obligations*'' means any Indebtedness Incurred by a Permitted Purchase Obligations SPV to finance or refinance the acquisition of Portfolio Assets purchased by such Permitted Purchase Obligations SPV, whether directly or through the acquisition of the Capital Stock of any Person owning such Portfolio Assets or otherwise, in an aggregate principal amount not exceeding at the time of the incurrence of such Permitted Purchase Obligations, together with any other Indebtedness incurred pursuant to clause (12) of the second paragraph of the ''—Limitation on Indebtedness'' covenant and then outstanding, 12.5% of the ERC of the Company and its Restricted Subsidiaries, calculated in good faith on a pro forma basis by management as of the date of purchase of such Portfolio Assets, provided that:

(1) except for the granting of a Lien described in clause (26) of the definition of ''Permitted Lien,'' no portion of any Permitted Purchase Obligations or any other obligations (contingent or otherwise) of the applicable Permitted Purchase Obligations SPV (i) is guaranteed by the Company or any other Restricted Subsidiary, (ii) is recourse to or obligates the Company or any other Restricted

Subsidiary in any way, or (iii) subjects any property or asset of the Company or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof,

(2) neither the Company nor any other Restricted Subsidiary has any obligation to maintain or preserve the applicable Permitted Purchase Obligations SPV's financial condition or cause such entity to achieve certain levels of operating results, and

(3) such Permitted Purchase Obligation is secured (if at all) only over the assets of, and Capital Stock of, the relevant Permitted Purchase Obligations SPV.

''*Permitted Purchase Obligations SPV*'' means a Wholly Owned Restricted Subsidiary (i) which engages in no activities other than the acquisition of Portfolio Assets, the Incurrence of Permitted Purchase Obligations to finance such acquisition and any business or activities incidental or related to such business and is set up in connection with the Incurrence of Permitted Purchase Obligations, (ii) to which the Company or any Restricted Subsidiary contributes, loans or otherwise transfers no amounts in excess of amounts required, after giving effect to the Incurrence of Permitted Purchase Obligations, to consummate the relevant purchase of assets and amounts required for incidental expenses, costs and fees for the set-up and continuing operations of such Permitted Purchase Obligations SPV, and (iii) all the Capital Stock of which is held by a Wholly Owned Restricted Subsidiary which holds no other material assets.

''*Person*'' means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

''*Portfolio Assets*'' means all (a) Right to Collect Accounts, (b) performing, sub performing or charged-off accounts, loans, receivables, mortgages, debentures and claims, and (c) other similar assets or instruments which, for the avoidance of doubt, shall exclude any Trust Management Assets and any Right to Collect Accounts, performing accounts, sub-performing accounts, charged-off accounts, cash and bank accounts, loans, receivables, mortgages, debentures, claims or other similar assets or instruments which are or will (from acquisition) be held on trust for a third party which is not the Company or any Restricted Subsidiary.

''*Portfolio ERC Model*'' means the models and methodologies that the Company uses to calculate the value of its ERC and those of its Subsidiaries, consistently with its most recent audited financial statements as of such date of determination.

''*Preferred Stock*,'' as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

''*Priority Hedging Obligations*'' means designated Hedging Obligations in an aggregate amount outstanding at any time of up to £10.0 million.

''*Proceeds Loan*'' means the loan of the net proceeds of the Notes pursuant to the Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

''*Proceeds Loan Agreement*'' means that certain loan agreement made as of the Issue Date by and among the Intercompany Borrowers, as borrower, and the Issuer, as lender.

''*Public Debt*'' means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional and other investors, in each case, that are not Affiliates of the Company, in accordance with Section 4(a)(2) of and/or Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

''*Public Market*'' means any time after: (1) an Equity Offering has been consummated; and (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of £50 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

''*Public Offering*'' means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Rating Agencies*" means S&P and Moody's or, in the event S&P or Moody's no longer assigns a rating to the Notes, any other Nationally Recognized Statistical Ratings Organization who assigns a rating to the Notes in lieu of the ratings by S&P or Moody's.

"*RBS*" means, each of, RB Investments 1 Limited as nominee for RBS Special Opportunities Fund A LP, RBS Special Opportunities Fund B LP, RBS Special Opportunities Fund C LP, RBS Special Opportunities Fund D LP and RBS Special Opportunities Fund Employee LP and Arrow Global Employee Benefit Trust.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced, *provided*, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred within 120 days after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Equity Investor or Senior Management, means:

(1) any controlling equity holder or Subsidiary 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 individuals 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) in the case of the Equity Investors any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means

(1) any Taxes (other than (x) Taxes measured by gross or net income, receipts or profits and (y) withholding Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its: (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries); (b) issuing or holding Subordinated Shareholder Funding; or (c) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

(2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent, any consolidated or combined Taxes measured by income for which such Parent is liable up to an amount not to exceed the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries; *provided* that distributions shall be permitted in respect of the income of an Unrestricted Subsidiary only to the extent such Unrestricted Subsidiary distributed cash for such purpose to the Company or its Restricted Subsidiaries.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the senior secured revolving credit facility agreement dated on or around the Issue Date among the Company, the Security Agent, The Royal Bank of Scotland plc as Agent and the other parties named therein, as amended, supplemented, refinanced, replaced or otherwise modified from time to time.

"*Reversion Date*" means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

"*Right to Collect Account*" means a performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim, or other similar asset or instrument that is owned by a person that is not the Company 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 performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim, or other similar asset or instrument to the Company or a Restricted Subsidiary; and (b) the Company or a Restricted Subsidiary is entitled to collect and retain substantially all of the amounts due under such performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim, or other similar asset or instrument or to receive amounts equivalent thereto.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Secured Indebtedness*" means any Indebtedness secured by a Lien.

"*Secured LTV Ratio*" means, in respect of any date of calculation, the aggregate Secured Indebtedness of the Company and its Restricted Subsidiaries less cash and Cash Equivalents (other than cash or Cash Equivalents in an amount equal to amounts collected by the Company and its Restricted Subsidiaries on behalf of third-party clients and held by the Company and its Restricted Subsidiaries as of such date) as of such date, divided by ERC; *provided* that ERC shall be adjusted to give effect to purchases or disposals of Portfolio Assets made since the last measurement date and prior to such date of calculation, on the basis of estimates made on a *pro forma* basis by management acting in good faith. In determining the Secured LTV Ratio in connection with the Incurrence of Indebtedness and the granting of a Lien, the Secured LTV Ratio shall be determined on a *pro forma* basis for the relevant transaction and the use of proceeds of such Indebtedness provided that no cash or Cash Equivalents shall be included in the calculation of the pro forma Secured LTV Ratio that are, or are derived from, the proceeds of Indebtedness in respect of which the pro forma calculation is to be made, except, for the avoidance of doubt, to the extent cash or Cash Equivalents will be expended in a transaction to which pro forma effect is given; provided further that any cash and Cash Equivalents received by the Company or any of its Restricted Subsidiaries from the issuance or sale of its Capital Stock, Subordinated Shareholder Funding or other capital contributions subsequent to the Issue Date shall (to the extent they are taken into account in determining the amount available for Restricted Payments under such clauses) be excluded for purposes of making Restricted Payments and Permitted Payments, as applicable, under clauses (c)(ii) and (c)(iii) of the first paragraph and clauses (1) and (13) of the third paragraph of the covenant described under ''Certain Covenants—Limitation on Restricted Payments'' to the extent such Cash and Cash Equivalents are included in the calculation of the Secured LTV Ratio.

''*Securities A*ct'' means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

''*Security Documents*'' means the Intercreditor Agreement, the debenture, the security over shares agreement and each other document under which collateral is pledged to secure the Notes.

''*Senior Management*'' means any previous or current officers, directors, and other members of senior management of the Company or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent.

''*Significant Subsidiary*'' means any Restricted Subsidiary that meets any of the following conditions:

(1) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the Total Assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Company's and its Restricted Subsidiaries' proportionate share of the Total Assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the Total Assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Company's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

''*Similar Business*'' means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

''*Specified Change of Control Event*'' means the occurrence of any event that would constitute a

Change of Control pursuant to the definition thereof, *provided* immediately thereafter and giving *pro forma* effect thereto the Secured LTV Ratio is greater than 0.50.

''*Stated Maturity*'' means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

''*Sterling Equivalent*'' means, with respect to any monetary amount in a currency other than sterling, at any time of determination thereof by the Company or the Trustee, the amount of sterling obtained by converting such currency other than sterling involved in such computation into sterling at the spot rate for the purchase of sterling with the applicable currency other than sterling as published in The Financial Times in the ''Currency Rates'' section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Company) on the date of such determination.

''*Subordinated Indebtedness*'' means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes pursuant to a written agreement.

''*Subordinated Shareholder Funding*'' means any funds provided to the Company by any Parent, 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 a Parent or a Permitted Holder, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the provisions of the Indenture as a ''Restricted Payment'';

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding,

provided, further, *however*, that upon the occurrence of any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Funding, such Indebtedness shall constitute an incurrence of such Indebtedness by the Company, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Funding shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Funding.

''*Subsidiary*'' means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which: (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

''*Taxes*'' means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

''*Temporary Cash Investments*'' means any of the following:

(1) any investment in (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state (other than Greece and Portugal), (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state, or (b) direct obligations of any country recognized by the United States of America rated at least ''A'' by S&P or ''A-1'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Revolving Credit Facility, (b) any institution authorized to operate as a bank in any of the countries or member states referred to in clause (1)(a) above, or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least ''A'' by S&P or ''A-2'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of ''P-2'' (or higher) according to Moody's or ''A-2'' (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state (other than Greece and Portugal) or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least ''BBB'' by S&P or ''Baa3'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union (other than Greece and Portugal), Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least ''A'' by S&P or ''A2'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

''*Total Assets*'' means the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent balance sheet of such Person.

''*Transactions*'' means the issuance of the Notes and the use of proceeds thereof to pay transaction fees and expenses, to repay the existing Revolving Credit Facility and to make distributions to repay existing shareholder loans, each as described in ''Use of proceeds'', and the entry into the Revolving Credit Facility.

''*Trust Management Assets*'' means Right to Collect Accounts, performing accounts, sub-performing accounts, charged-off accounts, loans, receivables, mortgages, debentures, claims, cash and bank accounts or other similar assets or instruments held by a Trust Management SPV on trust for a beneficiary which is not the Company or a Restricted Subsidiary.

''*Trust Management SPV*'' means a Restricted Subsidiary whose purpose is managing Trust Management Assets and other activities necessary or ancillary to managing Trust Management Assets, including necessary to fulfil any obligations or duty of the Trust Management SPV as a Trustee.

''*UK Government Obligations*'' means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

''*Uniform Commercial Code*'' means the New York Uniform Commercial Code.

''*Unrestricted Subsidiary*'' means:

(1) any Subsidiary of the Company (other than the Issuer and Holdings) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein), other than the Issuer and Holdings, to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Company in such Subsidiary complies with ''—Certain Covenants—Limitation on Restricted Payments.''

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Company could Incur at least £1.00 of additional Indebtedness under the first paragraph of ''—Certain Covenants—Limitation on Indebtedness'' or (y) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would not be worse than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

''*Voting Stock*'' of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

''*Wholly Owned Restricted Subsidiary*'' means a Restricted Subsidiary of the Company, all the Voting Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Restricted Subsidiary) is owned by the Company or another Wholly Owned Restricted Subsidiary.

''*Working Capital Intercompany Loan*'' means any loan to or by the Company or any of its Restricted Subsidiaries to or from the Company or any of its Restricted Subsidiaries from time to time (i) for purposes of consolidated cash and tax management and working capital management and (ii) for a duration of less than one year.

BOOK-ENTRY; DELIVERY AND FORM

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the ''**Rule 144A Global Note**''). Notes sold to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the ''**Regulation S Global Note**'' and, together with the Rule 144A Global Note, the ''**Global Notes**''). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (''**Rule 144A Book-Entry Interests**'') and in the Regulation S Global Note (the ''**Regulation S Book-Entry Interests**'' and, together with the Rule 144A Book-Entry Interests, the ''**Book-Entry Interests**'') will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or ''holders'' of Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream, as applicable (or its nominee), will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and/or Clearstream, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Guarantor or the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Redemption of Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and/or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions), on such other basis as they deem fair and appropriate, *provided, however*, that no Book-Entry Interest of less than £100,000 principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest, and any additional interest and Additional Amounts) to the common depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (e.g., 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 or any of its or their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- maintaining, supervising or reviewing the records of 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 Global Notes will be paid in pounds sterling.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream each reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (''**Definitive Registered Notes**''), and to distribute Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require physical delivery of securities or to pledge such securities, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Rule 144A Global Note will have a legend to the effect set forth under ''Notice to Investors.'' Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under ''Notice to Investors.''

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person whom 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 ''Notice to Certain Investors'' and ''Transfer Restrictions'' and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry

Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or
- if the owner of a Book-Entry Interest requests such an exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar or a transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than £100,000 will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for the selection of the Notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer or asset sale offer. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any transfer taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such a Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated, upon receipt of an authentication order from the Issuer, and is surrendered to the registrar or at the office of a transfer agent, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer 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 to protect themselves, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss that any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by the Issuer in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the Trustee a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See ''Notice to Certain Investors'' and ''Transfer Restrictions.''

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a daily newspaper having general circulation in Luxembourg (which is currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the paying agent in London so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee or the Paying Agent will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in pounds sterling. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

CERTAIN TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of Notes including, without limitation, the consequences of the receipt of interest and premium, if any, on any sale or redemption of the Notes or any interest therein.

References in this discussion to Notes acquired, owned, held or disposed of by holders of the Notes include, except where otherwise expressly stated, the Book-Entry Interests held by purchasers in the Notes in global form deposited with, and registered in the name of a common depositary for Euroclear and Clearstream.

Certain United Kingdom Tax Issues

*The following is a general description of certain U.K. tax consequences relating to the Notes and is based on current U.K. 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 U.K. tax considerations relating to the Notes, does not purport to constitute legal or tax advice, relates only to persons who are the absolute beneficial owners of Notes and who hold Notes as a capital investment, and does not deal with certain classes of persons (such as brokers or dealers in securities and persons connected with the Issuer) to whom special rules may apply. If you are subject to tax in any jurisdiction other than the U.K. or if you are in any doubt as to your tax position, you should consult an appropriate professional advisor.*

Interest on the Notes

Payment of Interest on the Notes

Interest on the Notes will be payable without withholding or deduction for or on account of U.K. income tax provided the Notes are and remain listed on a ''recognized stock exchange'' within the meaning of section 1005 of the Income Tax Act 2007 (the ''**ITA**''). The Luxembourg Stock Exchange is a recognized stock exchange for these purposes. Securities such as the Notes will be treated as listed on the Luxembourg Stock Exchange if they are included in the Official List of the Luxembourg Stock Exchange and are listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

Interest on the Notes may also be paid without withholding or deduction for or on account of U.K. income tax where the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) at the time the payment is made that (i) the person beneficially entitled to the interest is a U.K. resident company or a non-U.K. resident company that carries on a trade in the U.K. through a permanent establishment and the payment is one that the non-U.K. resident company is required to bring into account when calculating its profits subject to U.K. corporation tax or (ii) the person to whom the payment is made is one of the further classes of bodies or persons, and meets any relevant conditions, set out in sections 935-937 of the ITA, *provided* that in either case HMRC has not given a direction, the effect of which is that the payment may not be made without that withholding or deduction.

In all other cases, an amount must be withheld from payments of interest on the Notes on account of U.K. income tax at the basic rate (currently 20%), subject to any direction to the contrary by HMRC under an applicable double taxation treaty.

Holders of the Notes who are individuals may wish to note that HMRC has power to obtain information (including, in certain cases, the name and address of the beneficial owner of the interest) from any person in the U.K. who either pays certain amounts in respect of the Notes to, or receives certain amounts in respect of the Notes for the benefit of, an individual (whether resident in the U.K. or elsewhere). Such information may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

Payments by the U.K. Guarantors

Depending on the correct legal analysis of payments made by the U.K. Guarantors as a matter of U.K. tax law, it is possible that payments by the U.K. Guarantors would be subject to withholding on account of U.K. tax, subject to any claim that could be made under applicable double tax treaties and except that any withholding would be disapplied in respect of payments to recipients who the U.K. Guarantors reasonably believe are either a U.K. resident company or a non resident company carrying on a trade through a permanent establishment that is within the charge to corporation tax, or fall within various categories enjoying a special tax status (including charities and pension funds), or are partnerships consisting of such persons (unless HMRC directs otherwise).

Further U.K. Tax Issues

Interest on the Notes constitutes U.K. source income for tax purposes and, as such, may be subject to U.K. tax by way of assessment (including self-assessment) even where paid without withholding or deduction.

However, interest with a U.K. source received without withholding or deduction for or on account of U.K. income tax will not be chargeable to U.K. tax in the hands of a holder of Notes (other than certain trustees) who is not resident for tax purposes in the U.K. unless (i) that holder of Notes is a company that carries on a trade in the U.K. through a permanent establishment in the U.K. or, if not such a company, carries on a trade, profession or vocation in the U.K. through a branch or agency, and (ii) the interest is received in connection with, or the Notes are attributable to, that permanent establishment, branch or agency. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such holders of Notes.

The provisions relating to additional payments referred to above in ''Description of the Notes— Additional Amounts'' would not apply if HMRC sought to assess the person entitled to the relevant interest or (where applicable) profit on any Note directly to U.K. income tax. However, exemption from or reduction of such U.K. tax liability might be available under an applicable double taxation treaty.

European Union Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments, each Member State of the European Union is required to provide to the tax or other relevant authorities of another Member State details of payments of interest or other similar income made by a person within its jurisdiction to an individual or certain other types of person resident in that other Member State; however, for a transitional period, Austria and Luxembourg are instead required to apply a withholding system in relation to such payments, unless during that period they elect otherwise. The transitional period is to terminate following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) with effect from the same date.

The European Commission has published proposals for amendments to Council Directive 2003/48/EC, which, if implemented, would amend and broaden the scope of the requirements above.

U.K. Corporation Tax Payers

In general, holders of Notes (''**Noteholders**'') that are within the charge to U.K. corporation tax (other than investment trusts, venture capital trusts, authorized unit trusts and open ended investment companies) will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) on a basis that is broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with generally accepted accounting practice as that term is defined for tax purposes. Such profits, gains and losses (or where the Noteholder's functional currency is not sterling, then the sterling equivalent of such profits, gains and losses as computed in the Noteholder's functional currency) will be taken into account in computing taxable income for corporation tax purposes. Noteholders that are investment trusts, venture capital trusts, authorized unit trusts or open ended investment companies will be subject to the same taxation treatment in respect of the Notes as other Noteholders that are within the charge to U.K. corporation tax, other than with respect to capital profits, gains or losses.

Other U.K. Tax Payers

Taxation of Chargeable Gains

The Notes will constitute ''qualifying corporate bonds'' within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder will not give rise to a chargeable gain or an allowable loss for the purposes of the U.K. taxation of chargeable gains.

Accrued Income Profits

On a disposal of Notes by Noteholders, any interest that has accrued since the last interest payment date may be chargeable to tax as income under the rules relating to accrued income profits as set out in Part 12 of the ITA if that holder of Notes is resident or ordinarily resident in the U.K. or carries on a trade in the U.K. through a branch or agency to which the Notes are attributable. Holders of Notes are advised to consult their own professional advisors for further information about the accrued income scheme.

Taxation of Discount

Dependent, among other things, on the discount (if any) at which the Notes are issued, the Notes may be deemed to constitute ''deeply discounted securities'' for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. If the Notes are deemed to constitute deeply discounted securities, individual holders of Notes who are resident for tax purposes in the U.K. or who carry on a trade, profession or vocation in the U.K. through a branch or agency to which the Notes are attributable generally will be liable to U.K. income tax on any gain made on the sale or other disposal (including redemption) of the Notes. Holders of Notes are advised to consult their own professional advisors if they require any advice or further information relating to ''deeply discounted securities.''

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No U.K. stamp duty or SDRT is payable on the issuance of, or on a transfer of, or agreement to transfer, the Notes.

Certain U.S. Federal Income Tax Considerations

The following is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes by a U.S. Holder. This discussion addresses only U.S. Holders who purchase Notes in the Offering at their issue price, hold the Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes or the Offering.

This discussion does not address the tax treatment of prospective investors subject to special rules, such as banks, dealers, traders that elect to mark-to-market, insurance companies, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities, regulated investment companies, real estate investment trusts, persons holding Notes in connection with a permanent establishment or fixed base outside of the United States or as part of a hedge, straddle, conversion or other integrated financial transaction. It also does not address U.S. state and local or non-U.S. tax considerations.

THE FOLLOWING STATEMENTS ABOUT UNITED STATES FEDERAL TAX ISSUES ARE MADE TO SUPPORT MARKETING OF THE NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH U.S. HOLDER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF PARTICIPATING IN THE OFFER UNDER THE LAWS OF PORTUGAL, THE UNITED KINGDOM AND THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE HOLDER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a ''**U.S. Holder**'' is a beneficial owner of the Notes that is, for purposes of U.S. federal income taxation, (i) a citizen or resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organized under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that acquires or holds Notes generally will depend upon the status of the partner and the activities of the partnership. Partners in a partnership that acquires or holds Notes should consult their own tax advisors regarding the specific tax consequences to them of the partnership acquiring, owning and disposing of the Notes.

Characterization of the Notes

We intend to treat the Notes as debt for U.S. federal income tax purposes. However, no ruling will be obtained from the U.S. Internal Revenue Service (the ''**IRS**'') in this regard, and there can be no assurance that the IRS or the courts would agree with this characterization of the Notes. If the Notes were treated as equity interests in the Issuer, U.S. Holders could be subject to consequences that are materially different from what is discussed below. Prospective investors should consult their tax advisors regarding the characterization of the Notes, the possibility that the Notes could be classified as equity interests in the Issuer and the consequences of owning equity interests in an entity such as the Issuer.

In addition, special rules apply to debt instruments with payment contingencies, unless those contingencies are remote or certain other exceptions apply. The Notes provide for contingent payments in the event of a Change of Control, and, if that contingency were not remote, the Notes could be treated as contingent payment debt instruments subject to those special rules. We do not intend to treat the Notes as subject to special rules for contingent payment debt instruments, and the remainder of this disclosure assumes that the Notes are not so treated, but no assurance can be given that the IRS will not assert a contrary position. Our position is binding on a U.S. Holder unless such holder discloses that it is taking a contrary position in the manner required by applicable U.S. Treasury regulations. Our position is not, however, binding on the IRS, and if the IRS were to successfully assert a contrary position, all stated interest received by U.S. Holders would be treated as original issue discount (''**OID**''), a U.S. Holder might be required to accrue income on the Notes in excess of stated interest and a U.S. Holders' gain on a sale or other taxable disposition of the Notes would be treated as ordinary income. Prospective purchasers of the Notes should consult their own tax advisors regarding the treatment of the Notes as contingent payment debt instruments.

Interest

Interest on the Notes, including Additional Amounts, if any, generally will be includible in the gross income of a U.S. Holder in accordance with such holder's regular method of tax accounting. The interest and OID, if any, accrued on the Notes generally will be ordinary income from sources outside the United States and generally will be considered ''passive category income'' or, in the case of certain U.S. Holders, ''general category income'' for foreign tax credit purposes. Subject to applicable limitations, a U.S. Holder may claim a deduction or foreign tax credit for non-U.S. withholding tax withheld at the appropriate rate. U.S. Holders should consult their own tax advisors regarding the possible availability of foreign tax credits.

The Notes may be issued with OID for U.S. federal income tax purposes. Generally, the Notes will be issued with OID to the extent that their ''stated redemption price at maturity'' exceeds their ''issue price'' by at least a *de minimis* amount. However, the Notes generally will not have OID if such excess is less than ¼ of 1% of their stated redemption price at maturity multiplied by the number of complete years to maturity (''**de minimis OID**''). The issue price of the Notes is the initial offering price at which a substantial amount of the Notes is sold to the public for cash (excluding sales to underwriters, brokers or similar persons). The stated redemption price at maturity of a Note is the total of all payments due on the Note other than payments of ''**qualified stated interest**.'' In general, qualified stated interest is stated interest that is payable unconditionally in cash or in property at least annually at a single fixed rate (or at certain qualifying floating rates). Except as described above under ''—Characterization of the Notes,'' stated interest on the Notes will be qualified stated interest.

A U.S. Holder of a Note issued with OID must accrue the OID into income on a constant yield to maturity basis whether or not it receives cash payments and regardless of its method of tax accounting. A U.S. Holder generally must include in gross income the sum of the daily portions of OID that accrue on the Note for each day during the taxable year in which such U.S. Holder held the Note. For any accrual period, the OID allocable to the accrual period is the excess of (i) the product of the Note's adjusted issue price at the beginning of the accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted for the length of the accrual period) over (ii) the sum of any qualified stated interest payments allocable to the accrual period. A Note's adjusted issue price generally equals the issue price of the Note increased by the aggregate amount of OID accrued on a Note in all prior accrual periods and reduced by the amount of all payments previously received (other than payments of qualified stated interest). A U.S. Holder may elect to include in gross income all yield on a Note (including *de minimis* OID) using a constant yield method. The constant yield election generally will apply only to the Note with respect to which it is made, and it may not be revoked without the consent of the IRS.

A cash basis U.S. Holder receiving stated interest in pounds sterling must include in income a U.S. dollar amount based on the spot exchange rate on the date of receipt whether or not the payment is converted into U.S. dollars on such date.

An accrual basis U.S. Holder (or a cash basis U.S. Holder in the case of OID, if any) accruing interest in pounds sterling generally must include in income a U.S. dollar amount based on the average exchange rate during the accrual period (or, for an accrual period that spans two taxable years, the partial accrual period within each taxable year). Upon receipt of an interest payment in pounds sterling (including, upon sale of a Note, the receipt of proceeds that include accrued and unpaid interest previously included in income), U.S. Holders that have accrued interest (or OID, if any) will recognize exchange gain or loss equal to the difference, if any, between the U.S. dollar amount previously accrued and the U.S. dollar value of the payment received at the spot exchange rate on the date of receipt. Foreign exchange gain or loss will be U.S. source ordinary income or loss and generally will not be considered additional interest income or expense.

An accrual basis U.S. Holder (and a cash basis U.S. Holder with respect to OID, if any) may elect to translate accrued interest into U.S. dollars at the spot exchange rate on the last day of the accrual period (or, for an accrual period that spans two taxable years, in the case of the first partial period, the last day of the taxable year). If accrued interest actually is received within five business days of the last day of the accrual period (or the taxable year, in the case of a partial accrual period), an electing accrual basis U.S. Holder instead may translate the accrued interest at the spot exchange rate on the date of actual receipt for purposes of translating accrued interest income into U.S. dollars (in which case no exchange gain or loss will be taken into account upon receipt). Currency translation elections will apply to all debt instruments that the electing U.S. Holder holds or acquires as of the beginning of that taxable year and thereafter and cannot be revoked without the consent of the IRS. For purposes of determining exchange gain or loss, all payments on a Note (other than payments of stated interest) will be viewed as payments, first, of stated interest, then of previously accrued OID (with payments considered made for the earliest accrual periods first) and, finally, payments of principal.

For purposes of this discussion, the ''**spot exchange rate**'' generally means a rate that reflects a fair market rate of exchange available to the public for currency under a spot contract in a free market and involving representative amounts. The ''**average exchange rate**'' for an accrual period (or partial period) is the average of the spot exchange rates for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by a U.S. Holder.

Interest received by non-corporate U.S. Holders in taxable years beginning after December 31, 2012 generally will be includable in computing net investment income of such U.S. Holder for purposes of the Medicare surtax.

Disposition of a Note

A U.S. Holder generally will recognize capital gain or loss upon a sale or other disposition of a Note in an amount equal to the difference between the amount realized from such disposition (less any accrued and unpaid qualified stated interest, which will be treated as a payment of stated interest) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the U.S. Holder's U.S. dollar cost of the Note determined at the spot exchange rate on the date of purchase, increased by previously accrued OID, if any, and reduced by payments (other than payments of stated interest). A U.S. Holder that receives pounds sterling upon the sale or other disposition of the Notes will realize an amount equal to the U.S. dollar value of pounds sterling on the date of sale. If the Notes are traded on an established securities market, a cash basis U.S. Holder or electing accrual basis taxpayer will determine the amount realized on the settlement date. Such an election by an accrual basis U.S. Holder will apply to all debt instruments that the electing U.S. Holder holds or acquires as of the beginning of that taxable year and thereafter and cannot be revoked without the consent of the IRS. A U.S. Holder will have a tax basis in the currency equal to the U.S. dollar amount realized. Any gain or loss realized by a U.S. Holder on a subsequent conversion of currency for U.S. dollars will be U.S. source ordinary income or loss.

To the extent recognized gain or loss is attributable to changes in the exchange rate for pounds sterling between the dates of acquisition and disposition of the Note, the exchange gain or loss will be treated as

U.S. source ordinary income or loss and generally will not be considered additional interest income or expense. However, exchange gain or loss is taken into account only to the extent of total gain or loss recognized on the transaction. Generally, any gain or loss recognized on the transaction in excess of such exchange gain or loss will be U.S. source capital gain or loss and will be long-term capital gain or loss if the Note has been held for more than one year.

Gains and losses realized by non-corporate U.S. Holders in taxable years beginning after December 31, 2012 generally will be includable in computing net investment income of such U.S. Holder for purposes of the Medicare surtax.

Exchange Gain or Loss on Pounds Sterling Received

The tax basis of pounds sterling received by a U.S. Holder generally will equal the U.S. dollar value of pounds sterling at the spot exchange rate on the date it is received. Upon a subsequent exchange of such currency for U.S. dollars, another currency or property, a U.S. Holder generally will recognize exchange gain or loss equal to the difference between the U.S. Holder's tax basis in pounds sterling and the U.S. dollars received or the U.S. dollar value of the other currency (at the spot rate on the date of exchange) or property. Such gain or loss will be U.S. source ordinary gain or loss.

Exchange loss recognized on a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note may be required to be reported to the IRS. U.S. Holders should consult their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes.

Information Reporting and Backup Withholding

Payments of interest (including OID, if any), principal, premium, if any, or the proceeds from the sale, redemption or other disposition of a Note that are made within the United States or through certain U.S. related financial intermediaries may be reported to the IRS unless the holder is a corporation or otherwise or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if a holder of a Note fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on a U.S. federal income tax returns. A U.S. Holder can claim a credit against U.S. federal income tax liability for amounts withheld under the backup withholding rules, and any holder can claim a refund of amounts in excess of its liability for U.S. federal income tax by providing the required information to the IRS. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain U.S. Holders are required to report to the IRS information with respect to their investment in the Notes not held through an account with a U.S. financial institution. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult their own tax advisors regarding information reporting requirements with respect to their investment in the Notes. Potential investors are encouraged to consult their own tax advisors regarding the implications of this legislation on their investment in the Notes.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF GUARANTEES AND SECURITY AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

Set forth below is a summary of certain limitations on the enforceability of the Guarantees and the security interests in each of the jurisdictions in which Guarantees or Collateral being, or are expected to be, provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and the security interests on the Collateral.

Also set forth below is a brief description of certain aspects of insolvency law in the European Union, England and Wales, Guernsey and Luxembourg. In the event that any one or more of the Issuers or the Guarantors experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

European Union

The Senior Secured Notes Issuer and several of the Guarantors and Security Providers are organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings (the ''**EU Insolvency Regulation**''), which applies within the European Union (other than Denmark) the courts of the Member State in which a company's ''centre of main interests'' (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its centre of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a presumption under Article 3(1) of the EU Insolvency Regulation that a company has its centre of main interests in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the EU Insolvency Regulation states that the centre of main interests of a ''debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties.'' The courts have taken into consideration a number of factors in determining the centre of main interests of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's centre of main interests may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open main insolvency proceedings at the time of the filing of the insolvency petition.

The EU Insolvency Regulation applies to insolvency proceedings that are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation.

If the centre of main interests of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an ''establishment'' in the territory of such other Member State. An ''establishment'' is defined as a place of operations where the company carries on non-transitory economic activity with human means and goods. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the company has its centre of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to ''winding-up proceedings'' listed in Annex B of the EU Insolvency Regulation. Where main proceedings in the Member State in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either: (i) insolvency proceedings cannot be opened in the Member State in which the company's centre of main interests is situated under that Member State's law; or (ii) the territorial insolvency proceedings are opened at the request of a creditor that is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings that will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The officeholder appointed by a court in a Member State that has jurisdiction to open main proceedings (because the company's centre of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

England and Wales

The Issuer and a number of the Guarantors or expected future Guarantors are companies incorporated under the laws of England and Wales (the ''**English Obligors**''). Therefore, any main insolvency proceedings in respect of an English Obligor would likely be commenced in England and conducted in accordance with the requirements of English insolvency laws. However, pursuant to the EU Insolvency Regulation, where an English company conducts business in another Member State of the European Union, the jurisdiction of the English courts may be limited if the company's ''centre of main interests'' is found to be in another Member State. See ''—European Union''. There are a number of factors that are taken into account to ascertain the centre of main interests. The centre of main interests should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The place of the registered office of the company is presumed to be the centre of main interests in the absence of proof to the contrary. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened. Similarly, the U.K. Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the U.K., provide that a foreign (i.e., non-European) court may have jurisdiction where any English company has the centre of its main interests in such foreign jurisdiction or where it has an ''establishment'' (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services).

Fixed and Floating Charges

There are a number of ways in which fixed charge security has an advantage over floating charge security: (i) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business while in administration) in priority to the claims of the floating charge holder; (ii) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets; (iii) general costs and expenses (including the insolvency officeholder's remuneration) properly incurred in a winding-up or administration are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to floating charge claims; (iv) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (v) floating charge security is subject to certain challenges under English insolvency law. See ''—Grant of Floating Charge;'' and (vi) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees) and to ring-fencing. See ''—Administration and Floating Charges.''

Under English law there is a possibility that a court could recharacterize fixed security interests purported to be created by a security document as floating charges; the description given to security interests by the parties is not determinative. Whether security interests labeled as fixed will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the chargee has the requisite degree of control over the relevant chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents.

Administration and Floating Charges

The relevant English insolvency statutes empower English courts to make an administration order in respect of an English company in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge and different procedures apply according to the identity of the appointor. During the administration, in general no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with the leave of the court or the consent of the administrator (the ''**Statutory Moratorium**''). Certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the Statutory Moratorium. This is by virtue of the disapplication of the moratorium in relation to a ''security financial collateral agreement'' (generally, cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003. If an English Obligor were to enter into administration, it is possible that the security granted by it or the Guarantee granted by it may not be enforced while it is in administration. In addition, other than in limited circumstances, no administrative receiver can be appointed by a secured creditor in preference to an administrator, and any already appointed must resign if requested to do so by the administrator. Where the company is already in administration a fixed-charge receiver may be appointed, with the permission of the administrator or the consent of the court.

In order to empower the Security Agent to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant English Obligor must constitute a ''**qualifying floating charge**'' for the purposes of English insolvency law and, in the case of the ability to appoint an administrative receiver, the ''qualifying'' floating charge must, unless the security document pre-dates September 15, 2003, fall within one of the exceptions in the U.K. Insolvency Act 1986 (as amended) to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (i) states that the relevant statutory provision applies to it, (ii) purports to empower the holder to appoint an administrator of the company or (iii) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the U.K. Insolvency Act 1986 (as amended). The security agent will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with the fixed charge security interests, relate to the whole or substantially the whole of the relevant English Obligor's property and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to ''capital market arrangements'' (as defined in the U.K. Insolvency Act 1986, as amended), which will apply if an English Obligor creates a debt of at least £50,000,000 for the relevant company during the life of the arrangement and the arrangement involves the issue of a ''capital markets investment'' (which is defined in the U.K. Insolvency Act 1986, as amended, but is generally a rated, listed or traded debt instrument). An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security (after making full provision for preferential creditors and expenses (floating charge realizations)) for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English Obligor's assets at the time that the floating charges are enforced will be a question of fact at that time.

In addition, under English insolvency law any debt payable in a currency other than pounds sterling must be converted into pounds sterling at the ''official exchange rate'' prevailing at the date when the debtor went into liquidation or administration. This provision overrides any agreement between the parties. The ''official exchange rate'' for these purposes is the middle market rate at the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that an English Obligor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that such English Obligor went into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases this will only arise if the company is placed into administration or liquidation within a specified period (as set out in more detail below) of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, he may challenge the validity of the guarantee or security given by such company.

The following potential grounds for challenge may apply to guarantees and charges:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. There will only be a transaction at an undervalue, if at the time of the transaction or as a result of the transaction, the English company was or becomes ''unable to pay its debts'' (as defined in the U.K. Insolvency Act 1986, as amended). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a ''connected person'' (as defined in the U.K. Insolvency Act 1986, as amended), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

Preference

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or such guarantee constituted a preference. There will only be a preference if, at the time the transaction was entered into, the English company was ''unable to pay its debts'' (as defined in the U.K. Insolvency Act 1986 (as amended)) or the English company becomes unable to pay its debts (as defined in the U.K. Insolvency Act 1986 (as amended)) as a consequence of its entry into the transaction. The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the security or the Guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company makes the decision to grant the security interest or the guarantee. A transaction will constitute a factual preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction constituted such a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could, in this case, include reducing payments under the Notes and the Guarantees (although there is protection for a third party who enters into one of the transactions in good faith and without notice). However, for the court to do so, it must be shown that in deciding to give the factual preference the English company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

Transaction Defrauding Creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make (with permission of the court), the transaction may be set aside by the court as a transaction defrauding creditors. An application to the court for an order to set aside the transaction may be made by an administrator, a liquidator, the U.K. Financial Services Authority, the U.K. Pensions Regulator or (with the leave of the court) a person who is, or who is capable of being, prejudiced by the transaction. There is no time limit in the English insolvency legislation within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a third party in good faith, for value and without notice of the relevant circumstances and will not require a person who received a benefit from the transaction in good faith, for value and without notice of the relevant circumstances, to pay any sum unless such person was a party to the transaction.

Grant of Floating Charge

Under English insolvency law, if an English Obligor is unable to pay its debts at the time of (or as a result of) granting the floating charge, and the floating charge was granted within the specified period referred to below, then such floating charge can be avoided except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge. The requirement for the English Obligor to be insolvent at the time of (or as a result of) granting the floating charge does not apply, and the floating charge was granted within the specified period referred to below, where the floating charge is granted to a connected person. If the floating charge is granted to a connected person, and the floating charge was granted within the specified period referred to below, then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge, whether the relevant English Obligor is solvent or insolvent. The granting of the charge can be challenged only if the relevant English Obligor enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the relevant English Obligor grants the floating charge. However, if the Floating Charge qualifies as a ''security financial collateral agreement'' under the Financial Collateral Arrangements (No. 2) Regulations 2003, the floating charge will not be subject to challenge as described in this paragraph.

Liquidation/Winding-Up

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the U.K. Insolvency Act 1986 (as amended). There are two forms of winding up: (i) compulsory liquidation, by order of the court; and (ii) voluntary liquidation, by resolution of the company.

The primary ground for the compulsory winding up of an insolvent company is that it is unable to pay its debts (as defined in section 123 of the U.K. Insolvency Act 1986 (as amended). A creditors' voluntary winding up (other than as an exit from administration) is effected by a resolution of the members, not the creditors, but once in place operates under the control of the creditors.

The effect of a compulsory winding-up differs in a number of respects from that of a creditors' voluntary winding-up. In a compulsory winding-up, under section 127 of the U.K. Insolvency Act 1986 (as amended), if a company is in liquidation, any disposition of the company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. When an order is made for the winding up of a company by the court, it is deemed (by section 129 of the U.K. Insolvency Act 1986 (as amended) to have commenced from the time of the presentation of the winding-up petition. Once a winding-up order is made by the court, a stay of all proceedings against the company will be imposed. No legal action may be continued or commenced against the company without permission of the court.

In the context of a voluntary winding-up however, there is no equivalent to the retrospective effect of a winding up order; the winding up commences on the passing of the resolution to wind up. As a result, there is no equivalent of section 127 of the U.K. Insolvency Act 1986 (as amended). There is also no automatic stay in the case of a voluntary winding up—it is for the liquidator to apply for a stay.

Dispositions after Winding-up

Under section 127 of the U.K. Insolvency Act 1986 (as amended), any dispositions of a company's property made after a winding-up has commenced is, unless the court orders otherwise, void. The compulsory winding-up of a company is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date that the court makes the winding-up order (if any). However this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Arrangements (No. 2) Regulations 2003 and will not prevent a close-out netting provision taking effect in accordance with its terms.

Guernsey

Commercial Benefit

Under Guernsey law, a Guarantee or the provision of security may be liable to be set aside if there is no commercial benefit to the Guarantor in issuing it. The directors of each Guarantor organized in Guernsey (each, a ''**Guernsey Guarantor**'') believe that the issuance of the Guarantees and the provision of security by a Guernsey Guarantor are of commercial benefit to such Guarantor. However, there can be no assurance that the issuance of the Guarantees or the provision of security will not be challenged by a liquidator, administrator or creditor, or that a court would support the directors' commercial benefit analysis.

Customary Law

Under Guernsey customary law, if it can be shown that the granting of a Guarantee or the provision of security was made at the time the Guarantor was insolvent or that the Guarantor became insolvent as a result of the Guarantee or the provision of security, any person prejudiced by the Guarantee or the provision of security may apply to the Royal Court of Guernsey to set the Guarantee or the security aside as a transaction defrauding creditors. This provision of Guernsey customary law may, in certain circumstances, be used by any person who claims to be the victim of the transaction, not only liquidators. If a court were to find that the granting of the Guarantee or the provision of security constituted a transaction defrauding creditors, the court may make such orders as it thinks fit to protect the interests of those creditors and to restore the Guarantor's position to what it would have been if the transaction had not been entered into, including by voiding the Guarantee and/or the security. There is not yet decisive case law as to what, if any, time limit there is on such a challenge. Furthermore, if the Royal Court of Guernsey was asked to enforce a Guarantee or security against a Guernsey Guarantor, that Guernsey Guarantor might be able to claim certain rights under Guernsey law, known as the ''*droit de division*'' and the ''*droit de discussion,*'' being respectively a right to require that any liability of the Guernsey Guarantor be divided or apportioned with another person or persons and a right to require that the assets of the principal obligor (or any other person) be exhausted before any claim is enforced against the Guernsey Guarantor unless the Guernsey Guarantor has agreed to waive such rights. It is intended that the Guernsey Guarantor will waive its rights under the *droit de division* and the *droit de discussion* under the Indenture.

Fraudulent and Wrongful Trading

Under Guernsey law, if the business of a company is carried on with intent to defraud creditors (whether of the company or of any other person) or for any fraudulent purpose, every person who is knowingly a party to the carrying on of the business in that manner is guilty of an offense. Civil liability can also arise where in the course of the winding up of a company it appears that the business of the company had been carried on with intent to defraud creditors (whether of the company or of any other person) or for any fraudulent purpose. In that instance the Royal Court of Guernsey on application of a creditor, member, liquidator or administrator may declare that any person who was knowingly a party to the carrying on of the business in such manner is liable to make a contribution to the company's assets.

If in the course of an insolvent winding up of a Guernsey company it appears that at some time before the commencement of the winding up a director (including an alternate, de facto or shadow director) knew or ought to have concluded that there was no reasonable prospect of the company avoiding going into insolvent liquidation, the Royal Court of Guernsey on the application of the liquidator or any creditor or member of the company can declare that such director shall be liable to make such contribution to the company's assets as the Royal Court of Guernsey thinks proper, unless upon the insolvent winding up becoming inevitable such director took every step to minimize potential loss to the company's creditors, taking into account the skills expected of a person carrying on such functions carried out by that director and the actual knowledge, skill and experience of that director.

Preferences

In Guernsey, if a liquidator can show that a company has given a ''preference'' to any person after the commencement of a period of six months immediately preceding the start of the winding up proceedings (or two years if the preference is to a connected person) and at the time of giving the preference such company was unable to pay its debts or became as a result of giving the preference unable to pay its debts, the Royal Court of Guernsey may make such order as it thinks fit for restoring the position to what it would have been if the company had not given the preference. A company is deemed to have given a preference to a person if that person is either one of the company's creditors or a surety or Guarantor for any of the company's debts or liabilities, and the company does anything or permits anything to be done which improves that person's position in the company's liquidation. The Royal Court of Guernsey may not make an order regarding a preferential transaction unless it is satisfied that the company was influenced in deciding to give the preference by a desire to put that person in a better position in the company's liquidation, save where the person given a preference is connected with the company where such desire is presumed unless the contrary is shown. If the Royal Court of Guernsey finds that the Guarantees are preferences, it has wide powers for restoring the position of the Guarantor to what it would have been if that preference had not been given, which could include reducing payments under the Guarantees or setting aside the Guarantees and any security provided. However, there is protection for a third party who enters into a preferential transaction in good faith, for value and without notice.

Choice of Law

Under Guernsey law, parties may choose the laws of a foreign jurisdiction as the governing law of a Guarantee so long as that choice is legal and bona fide. Under the Indenture, the Issuer and the Guernsey Guarantors have submitted to the jurisdiction of the courts of New York. A judgment of a New York court should be enforceable in Guernsey in accordance with the common law rules of private international law relating to the enforcement of foreign judgments, subject to certain qualifications more specifically set out in the section ''Service of Process and Enforcement of Civil Liabilities.''

Insolvency Proceedings

Under Guernsey law there are two substantive types of insolvency proceedings relating to non-cellular companies, namely administration and winding up proceedings although there are also the customary law insolvency procedures of *désastre* and *saisie*. *Désastre* involves execution against a debtor's movable assets in Guernsey and is most often employed against individuals, but could potentially be applied to companies. *Saisie* involves execution against a debtor's real property situated in Guernsey.

Administration

An administration order may be made in respect of a Guernsey company if the Royal Court of Guernsey is satisfied that a company does not satisfy or is likely to become unable to satisfy the ''solvency test'' prescribed by the Companies (Guernsey) Law, 2008 (as amended) and considers that the making of an administration order may achieve either:

- the survival of the company, and the whole or any part of its undertaking, as a going concern; or
- a more advantageous realization of the company's assets than would be effected on a winding up.

An administration order may be applied for by a company itself, the directors of the company, any member of the company, any creditor of the company (including any prospective or contingent creditor), the Guernsey Financial Services Commission in respect of supervised companies and companies engaged in financial services business or, in the case of a company in respect of which the Royal Court of Guernsey has made an order for winding up or which has passed a resolution for voluntary winding up, a liquidator.

In the period between the presentation of the application for an administration order and ending with the making of an order or the dismissal of the application:

- no resolution may be passed or order made for the company's winding up; and

- no proceedings may be commenced or continued against the company except with the leave of the Royal Court of Guernsey and subject to such terms and conditions as the Royal Court of Guernsey may impose.

However, a creditor's rights of set-off and security interests created pursuant to the Security Interests (Guernsey) Law, 1993 and rights of enforcement thereof are unaffected and may be exercised without the leave of the Royal Court of Guernsey. In addition, the leave of the Royal Court of Guernsey is not required for the presentation of an application for the company's winding up in that period.

Following the making of an administration order and during the period for which the administration order is in force, the affairs, business and property of a company are managed by an administrator appointed by the Royal Court of Guernsey, and no resolution may be passed or order made for the company's winding up and no proceedings may be commenced or continued against the company except with the consent of the administrator or the leave of the Royal Court of Guernsey and subject to such terms and conditions as the Royal Court of Guernsey may impose. However, a creditor's rights of setoff and security interests created pursuant to the Security Interests (Guernsey) Law, 1993, and rights of enforcement thereof are unaffected.

Winding up

A Guernsey company may be wound up voluntarily if:

- the period (if any) fixed by its memorandum or articles of incorporation for the duration of the company expires, *provided* that the company passes an ordinary resolution that it be wound up voluntarily; or
- an event (if any) occurs on the occurrence of which the memorandum or articles of incorporation of the company provide that the company must be dissolved, provided that the company passes an ordinary resolution that it be wound up voluntarily; or
- if the company passes a special resolution that it be wound up voluntarily.

From the commencement of a voluntary winding up (which occurs upon the passing of the resolution for voluntary winding up), the company must cease to carry on business, except insofar as may be expedient for the beneficial winding up of the company. The company, however, continues in existence until dissolution.

Arrangements can be entered into between a Guernsey company which is being voluntarily wound up and its creditors to delegate to its creditors the right to appoint a liquidator. Any arrangement entered into between a company and its creditors, subject to a right of appeal, is binding if sanctioned by a special resolution of the company and by 75% in number and value of its creditors. However, a creditor or shareholder of a company that has entered into such an arrangement may, within 21 days beginning on the date of the completion of the arrangement, apply to the Royal Court of Guernsey for an order that the arrangement be set aside. The Court may make such order as it thinks fit for the setting aside, amendment, variation or confirmation of the arrangement.

A company may be compulsorily wound up by the Royal Court of Guernsey if the company, *inter alia*: has by special resolution resolved that it be wound up by the Royal Court of Guernsey; has not commenced business within one year beginning on the date of its incorporation; suspends business for a whole year; has no members; or is unable to pay its debts. For this purpose, a company is deemed to be unable to pay its debts if a creditor to whom the company owes a sum exceeding £750, which is due, serves on the company through the office of H.M. Sergeant at the company's registered office a written demand for payment (commonly called a ''statutory demand''), and the company, for a period of 21 days immediately following the date of service of the statutory demand, fails to pay the sum or to secure payment to the reasonable satisfaction of the creditor; or if it is proved to the satisfaction of the Royal Court of Guernsey that the company fails to satisfy the solvency test as prescribed by the Companies (Guernsey) Law, 2008, as amended.

On the making of an application for the compulsory winding up of a company or at any time thereafter, any creditor of the company may apply to the Royal Court of Guernsey for an order restraining, on such terms and conditions as the Royal Court of Guernsey thinks fit, any action or proceeding pending against the company; or appointing a provisional liquidator to ascertain the company's assets and liabilities, manage its affairs and do all acts authorized by the Royal Court of Guernsey.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement (the ''**Purchase Agreement**'') entered into on or about January 22, 2013, by and among the Issuer, the Guarantors and the Initial Purchasers, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed, severally and not jointly, to purchase from the Issuer, the entire principal amount of the Notes.

The Purchase Agreement provides for the obligations of the Initial Purchasers to pay for and accept delivery of the Notes. The Notes will initially be offered at the price indicated on the cover page of this Offering Memorandum.

The Purchase Agreement also provides that the Issuer and the Guarantors will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer and the Guarantors have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 180 days after the date the Notes are issued, to not, without having received the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of any securities that are substantially similar to the Notes and the Guarantees.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officers' certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or applicable state securities laws. The Initial Purchasers have agreed that they will only offer or sell the Notes (i) in the United States to qualified institutional buyers in reliance on Rule 144A, and (ii) outside the United States in offshore transactions in reliance on Regulation S. Terms used above have the meanings given to them by Rule 144A and Regulation S.

In connection with sales outside the United States, the Initial Purchasers have agreed that they will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchasers' distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering or the date the Notes are originally issued. The Initial Purchasers will send to each distributor, dealer or person to whom it sells such Notes during such 40-day period 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.

In addition, until 40 days after the later of the commencement of this Offering or the date the Notes are originally issued, an offer or sale of such Notes within the United States by a dealer that is not participating in the Offering may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under ''Transfer Restrictions.''

Prior to the Offering, there has been no active market for the Notes. The Initial Purchasers have advised the Issuer and the Parent Guarantors that they presently intend to make a market in the Notes as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes and any such market making may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. Each purchaser acknowledges that each 144A Global Note will contain a legend substantially to the following effect:

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE ''**RESALE RESTRICTION TERMINATION DATE**'') WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (''**RULE 144A**''), TO A PERSON IT REASONABLY BELIEVES IS A ''QUALIFIED INSTITUTIONAL BUYER'' AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR

FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes or the Guarantees or the possession, circulation or distribution of any material relating to the Issuer or the Guarantors in any jurisdiction where action for such purpose is required. Accordingly, the Notes and the Guarantees may not be offered or sold, directly or indirectly, nor may any offering material or advertisement in connection with the Notes or the Guarantees (including this document and any amendment or supplement hereto) be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the Initial Purchasers 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 U.K.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a ''**Relevant Member State**''), each of the Initial Purchasers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the ''**Relevant Implementation Date**''), it has not made and will not make an offer to the public of any Notes which are the subject of the Offering contemplated by this Offering Memorandum in that Relevant Member State, other than:

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

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than ''qualified investors'' as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

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

provided that no such offer of the Notes shall require us or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an ''offer of Notes to the public'' in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression ''**Prospectus Directive**'' means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

The Issuer expects that delivery of the Notes and Guarantors will be made against payment on the Notes and Guarantors on or about the date specified on the cover page of this Offering Memorandum, which will be five business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) in New York, New York following the date of pricing of the Notes (this settlement cycle being referred to as ''**T + 5**''). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three 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 next succeeding business day 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.

In connection with the Offering, Goldman Sachs International (the ''**Stabilizing Manager**'') (or persons acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there can be no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 calendar days after the Issue Date and 60 calendar days after the date of the allotment of the Notes.

The Issuer has applied, through its Listing Agent, to have the Notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Issuer cannot assume that the Notes will be approved for admission to trading and listing, and will remain admitted to trading and listed on the Euro MTF Market of the Luxembourg Stock Exchange.

From time to time, the Initial Purchasers and their respective affiliates have provided, and may in the future provide, investment banking, commercial lending, consulting or financial advisory services to the Parent Guarantors and their affiliates, Goldman Sachs International and its affiliates and J.P. Morgan Securities plc and its affiliates, have provided, and may in the future provide, commercial banking services to the Parent Guarantors and their affiliates, for which they have received or may receive customary fees and commissions. The Initial Purchasers and their respective 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 may act as lenders under the New Revolving Credit Facility. In addition, certain affiliates of Goldman Sachs International are also lenders under the Existing Revolving Credit Facility, and, as a result, will receive a portion of the proceeds of this Offering.

TRANSFER RESTRICTIONS

Neither the Notes nor the Guarantees have been or will be registered under the U.S. Securities Act or any state securities laws and may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Accordingly, we are offering and selling the Notes only:

- to U.S. investors that we reasonably believe to be ‘‘qualified institutional buyers,’’ ‘‘**QIBs**,’’ (as defined in Rule 144A) in compliance with Rule 144A; and
- in offshore transactions complying Regulation S.

If you purchase Notes in this Offering, you will be deemed to have represented agreed and acknowledged as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S used herein as defined therein):

1. the Notes (including the Guarantees) are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes (including the Guarantees) have not been and will not be registered under the U.S. Securities Act and that if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes (including the Guarantees), such Notes (including the Guarantees) may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom you reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying Regulation S; or (iii) to the Issuer or the Guarantors, in each case in accordance with any applicable securities laws; (iv) pursuant to other exemptions from registration under the U.S. Securities Act; and (v) pursuant to an effective registration statement under the U.S. Securities Act.
2. You will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes (including the Guarantees) from it of the resale restrictions referred to in the legend below.
3. You are not our ‘‘affiliate’’ (as defined in Rule 144 under the U.S. Securities Act), you are not acting on our behalf and you are either:
   (i) a QIB and are aware that any sale of these Notes (including the Guarantees) to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or
   (ii) not a U.S. person or purchasing for the account or benefit of a U.S. person (other than a distributor) and you are purchasing Notes (including the Guarantees) in an offshore transaction in accordance with Regulation S.
4. None of the Issuer, the Guarantors, the Initial Purchasers or any person representing the Issuer, the Guarantors or the Initial Purchasers has made any representation to you with respect to the Issuer, the Guarantors or the Initial Purchasers or the offer or sale of any of the Notes (including the Guarantees), other than by the Issuer and the Guarantors with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes (including the Guarantees). You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer, the Guarantors, the Indenture, the Notes and the Guarantees as you have deemed necessary in connection with your decision to purchase Notes (including the Guarantees), including an opportunity to ask questions of and request information from the Issuer, the Guarantors and the Initial Purchasers.

Each purchaser acknowledges that each Global Note will contain a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ‘‘SECURITIES ACT’’), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS

EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

5. Each Note will also contain a legend substantially to the following effect:

   BY ACCEPTANCE OF A NOTE, EACH HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE OR HOLD THE NOTES CONSTITUTES THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") OR PROVISIONS UNDER ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS, RULES OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE "SIMILAR LAWS"), OR ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT OR (B) THE PURCHASE AND HOLDING OF THE NOTES BY SUCH HOLDER WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

6. The purchaser has received a copy of the Offering Memorandum relating to the Offering and acknowledges that (i) neither we nor the Initial Purchasers or any person representing us or the

Initial Purchasers have made any representation to it with respect to us or the Offering and the sale of the Notes other than the information contained in this Offering Memorandum and (ii) it has had access to such financial and other information and has been offered the opportunity to ask questions of us and received answers thereto, as it deemed necessary in connection with the decision to purchase Notes.

7. The Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

8. The Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing. If you are acquiring any Notes (including the Guarantees) as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that you have sole investment discretion and you have full power to make the foregoing acknowledgements, representations and agreements.

9. You will give to each person to whom you transfer these Notes (including the Guarantees) notice of any restrictions on the transfer of the Notes (including the Guarantees).

10. No action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would permit a public offering of the Notes (including the Guarantees) or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer, the Guarantors or the Notes (including the Guarantees) in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes (including the Guarantees) will be subject to the selling restrictions set forth under ''Plan of Distribution.''

11. The purchaser: (i) is able to fend for itself in the transactions contemplated by this Offering Memorandum; (ii) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the Notes; and (iii) has the ability to bear the economic risks of its prospective investment and can afford the complete loss of such investment.

12. Either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitutes assets of any Plan or governmental or church plan subject to Similar Law or entity whose underlying assets are considered to include ''plan assets'' of any such Plan, account or arrangement or (ii) the purchase and holding of the Notes by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Laws.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Freshfields Bruckhaus Deringer LLP as to matters of U.S. Federal, New York State and English law and by Mourant Ozannes as to matters of Guernsey law.

Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Milbank, Tweed, Hadley & McCloy LLP as to matters of U.S. Federal, New York State and English law and by AO Hall as to matters of Guernsey law.

INDEPENDENT AUDITORS

The Consolidated Financial Statements of Arrow Group Holdings Guernsey Limited as at and for the 15 months ended December 31, 2009 and the years ended December 31, 2010 and 2011 prepared in accordance with IFRS as adopted by the European Union and included elsewhere herein have been audited by Deloitte LLP, independent auditors, as stated in their reports appearing herein. Deloitte LLP is a current member of the Institute of Chartered Accountants in England and Wales.

Deloitte LLP's reports, in accordance with relevant professional guidance, include the following limitations: ''This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, and for our audit work, for this report, or for the opinions we have formed.''

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with the rules and regulations of the Luxembourg Stock Exchange. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation (which is expected to be the *Luxemburger Wort*) or, to the extent and in the same manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*).

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, copies of the following documents may be inspected and obtained free of charge at the specified office of the Listing Agent in Luxembourg during normal business hours on any weekday:

- the organizational documents of the Issuer;
- the bylaws of the Issuer and the Guarantors;
- the Guarantees and security documents;
- the most recent audited Consolidated Financial Statements, and any interim financial statements published on a quarterly basis, of Arrow Global Guernsey Holdings Limited, which includes consolidated financial information of it and its subsidiaries (including the Issuer); and
- the Indenture (which includes the form of the Notes).

It is expected that the approval (*visa*) in connection with the admission of the Notes to the Official List of the Luxembourg Stock Exchange and the admission of the Notes to trading on the Euro MTF Market will be granted by the Luxembourg Stock Exchange after the issuance of the Notes. Transactions will normally be effected for settlements in euro and for delivery on the third business day after the day of the transaction.

Holders of the Notes should note that the Trustee may act, or not act, and rely on certificates or reports provided by the auditors of the Company, whether or not addressed to the Trustee and whether or not any such certificate or report is subject to any limit on the liability of such auditors (whether by reference to a monetary cap or by reference to the methodology to be employed in producing the same), and shall have no liability to holders of the Notes for doing so.

We have appointed The Bank of New York Mellon (Luxembourg) S.A. as Listing Agent. We reserve the right to change this appointment and we will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the same manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*http://www.bourse.lu*).

Application may be made to the Luxembourg Stock Exchange to have the Notes removed from listing on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, including if necessary to avoid any new withholding taxes in connection with the listing.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, the Notes will be freely transferable and negotiable.

Clearing Information

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under ISIN and common codes XS0878852598 and 087885259, respectively for the Notes sold pursuant to Regulation S, and XS0878853059 and 087885305, respectively for the Notes sold pursuant to Rule 144A.

Legal Information

Arrow Global Finance plc, a direct subsidiary of Arrow Global Investments Holdings Limited and an indirect subsidiary of Arrow Global Guernsey Holdings Limited, is incorporated as a public limited company under the laws of England and Wales and registered at Companies House under registration number 08361735. Its registered office is at 20-22 Bedford Row, London WC1R 4JS, United Kingdom.

As at the date of this Offering Memorandum, the Issuer's share capital consisted of 50,000 Ordinary Shares with a nominal value of £1 each, all fully paid up and issued, with a total value of £50,000.

The Issuer is a special purpose subsidiary that has been organized to facilitate the offering of debt securities and has no operations and no assets other than its rights upon the Offering under the on-loan of proceeds from the Offering to one or more restricted subsidiaries. The Issuer has not engaged in and will not engage in any activity other than the business and activities described or referred to in this Offering Memorandum. The directors of the Issuer are Tom Drury, Zachary Lewy, Robert Memmott and Malcolm Jackson.

The Issuer has not traded since its incorporation on January 15, 2013, other than in relation to the issuance of the Notes and has not published any financial information to date. Arrow Global Guernsey Holdings Limited will publish annual consolidated financial information of it and its subsidiaries (including the Issuer) in the future in accordance with the laws of England and Wales or as required by the terms of the Indenture. The Issuer will publish financial information in the future only to the extent required by English Law or the terms of the Indenture.

The creation and issuance of the Notes have been authorized by resolutions of the Issuer on January 15, 2013.

Guarantors

The following is a description of the Guarantors.

The registered address of Arrow Global Guernsey Holdings Limited is La Plaiderie House, La Plaiderie, St. Peter Port, Guernsey, GW1 1WG and the objects for which Arrow Global Guernsey Holdings Limited is formed are unrestricted.

The registered address of Arrow Global Investments Holdings Limited is 20-22 Bedford Row, London WC1R 4JS, United Kingdom and the object for which Arrow Global Investments Holdings Limited is formed is to carry on business as a general commercial company.

The registered address of Arrow Global Holdings Limited is 20-22 Bedford Row, London WC1R 4JS, United Kingdom and the object for which Arrow Global Holdings Limited is formed is to carry on business as a general commercial company.

The registered address of Arrow Global Guernsey Limited is La Plaiderie House, La Plaiderie, St. Peter Port, Guernsey, GW1 1WG the objects for which Arrow Global Guernsey Limited is formed are unrestricted.

The registered address of Arrow Global Receivables Management Limited is 20-22 Bedford Row, London WC1R 4JS, United Kingdom and the object for which Arrow Global Receivables Management Limited is formed is to carry on business as a general commercial company.

The registered address of Arrow Global Limited is 20-22 Bedford Row, London WC1R 4JS, United Kingdom and the object for which Arrow Global Limited is formed is to carry on business as a general commercial company.

Significant Change

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the financial position of the Issuer since its incorporation;
- there has been no material adverse change in our financial position as set forth in our unaudited condensed Consolidated Financial Statements as at and for the ten months ended October 31, 2012; and

- we have not been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts that are material in the context of the issue of the Notes, and, so far as we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

The Company and the Issuer accept responsibility for the information contained in this Offering Memorandum.

INDEX TO FINANCIAL INFORMATION

Certain references included in the Financial Statements refer to sections in our statutory financial statements which are not included in this Offering Memorandum.

* See discussion of change in presentation of net cash flows from operating activities and net cash flows from investing activities within ''Summary Historical Consolidated Financial Information.''

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE TEN MONTHS ENDED 31 OCTOBER 2012

	Notes	For the ten month period ended 31 October 2012 £000 Unaudited	For the ten month period ended 31 October 2011 £000 Unaudited
Continuing Operations			
Revenue			
Income from purchased loan portfolios		50,501	38,949
Portfolio write-up		856	816
Profit/(loss) on portfolio and loan note sales		318	(406)
		51,675	**39,359**
Interest income from secured loan notes		—	5
Income from asset management		1,597	422
Total revenue		**53,272**	**39,786**
Operating expenses			
Collection activity costs		(15,797)	(15,237)
Professional fees and services		(2,595)	(2,919)
Other expenses		(9,964)	(4,362)
Total operating expenses		**(28,356)**	**(22,518)**
Operating profit		**24,916**	**17,268**
Shareholder interest expense		(12,243)	(8,710)
Finance costs		(3,465)	(3,749)
Profit before tax		**9,208**	**4,809**
Taxation charge on ordinary activities	5	(2,565)	(1,672)
Profit for the period attributable to equity shareholders		**6,643**	**3,137**
Foreign exchange translation difference arising on revaluation of foreign operations		(62)	(332)
Total comprehensive income for the period attributable to equity shareholders		**6,581**	**2,805**

CONDENSED CONSOLIDATED BALANCE SHEET FOR THE TEN MONTHS ENDED 31 OCTOBER 2012

	Notes	For the ten month period ended 31 October 2012 £000	For the ten month period ended 31 October 2011 £000	For the year ended 31 December 2011 £000
		Unaudited	Unaudited	Audited
Assets				
Non-current assets				
Goodwill		1,968	1,968	1,968
Other intangible assets		1,828	1,183	1,719
Property, plant & equipment		282	375	403
Purchased loan portfolios	8	137,302	84,182	114,883
Secured loan notes		—	134	—
Deferred tax asset		3	116	—
Total non-current assets		**141,383**	**87,958**	**118,973**
Current assets				
Cash and cash equivalents		13,998	12,902	6,440
Other receivables	6	6,836	4,769	5,793
Derivative asset		169	129	116
Purchased loan portfolios	8	36,498	25,736	35,122
Secured loan notes		—	85	—
Deferred tax asset		—	—	139
Total current assets		**57,501**	**43,621**	**47,610**
Total assets		**198,884**	**131,579**	**166,583**
Equity				
Share capital		10	10	10
Share premium		3	3	3
Retained earnings		10,099	2,390	3,456
Translation reserve		(521)	(500)	(459)
Total equity attributable to shareholders		**9,591**	**1,903**	**3,010**
Liabilities				
Non-current liabilities				
Non-controlling interest loan		2,558	1,904	1,950
Bank loan		61,367	29,718	58,983
Shareholders' loan		103,947	89,434	91,703
Total non-current liabilities		**167,872**	**121,056**	**152,636**
Current liabilities				
Trade and other payables	7	8,490	5,738	7,697
Derivative liability		503	—	—
Deferred consideration		—	1,065	1,065
Current tax liability		1,428	1,817	2,175
Bank loan	9	11,000	—	—
Total current liabilities		**21,421**	**8,620**	**10,937**
Total liabilities		**189,293**	**129,676**	**163,573**
Total equity and liabilities		**198,884**	**131,579**	**166,583**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE TEN MONTHS ENDED 31 OCTOBER 2012

Ten month period ended 31 October 2012 (Unaudited)

	Ordinary shares* £000	Share premium £000	Retained earnings £000	Translation reserve £000	Total £000
Balance at 31 December 2011	**10**	**3**	**3,456**	**(459)**	**3,010**
Profit for the period	—	—	6,643	—	6,643
Exchange differences	—	—	—	(62)	(62)
Total comprehensive income for the period to 31 October 2012	**—**	**—**	**6,643**	**(62)**	**6,581**
Balance at 31 October 2012	**10**	**3**	**10,099**	**(521)**	**9,591**

Ten month period ended 31 October 2011 (Unaudited)

	Ordinary shares* £000	Share premium £000	Retained earnings £000	Translation reserve £000	Total £000
Balance at 31 December 2010	**10**	**6**	**(747)**	**(168)**	**(899)**
Profit for the period	—	—	3,137	—	3,137
Exchange differences	—	—	—	(332)	(332)
Total comprehensive income for the period to 31 October 2011	**—**	**—**	**3,137**	**(332)**	**2,805**
Redemption of shares	—	(3)	—	—	(3)
Balance at 31 October 2011	**10**	**3**	**2,390**	**(500)**	**1,903**

* included within ordinary shares are A shares of £9,000, B shares of £1,000, C shares of £200 and D shares of £50. The rights associated with these classes of shares are disclosed within the latest annual report and financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE TEN MONTHS ENDED 31 OCTOBER 2012

	Note	For the ten month period ended 31 October 2012 £000	For the ten month period ended 31 October 2011 £000
		Unaudited	Unaudited
Net cash from operating activities			
Profit before tax		9,208	4,809
Adjustments for non-cash movements			
Portfolio write up	8	(856)	(816)
Income on purchased loan portfolios	8	(50,501)	(38,949)
(Profit)/loss on disposal of purchased loan portfolios		(318)	406
Amortisation of legal acquisition fees on portfolios	8	229	49
Interest income and profit on disposal of secured loan notes		—	(5)
Depreciation and amortisation		641	232
Increase in rolled-up interest on shareholders loans		12,243	8,710
Increase in rolled-up interest on non-controlling loans		288	108
Increase in deferred consideration payable to related parties		—	41
Foreign exchange (gains)/losses		(151)	121
Adjustment to portfolio deferred consideration		—	400
Loss/(gain) on fair value derivatives		556	(502)
Operating cash flows before movement in working capital		**(28,661)**	**(25,396)**
Increase in other receivables	6	(1,043)	(3,354)
Increase/(decrease) in trade and other payable	7	793	(573)
Payment of deferred consideration		(1,065)	(1,440)
Collections from purchased loan portfolios in the period	8	72,804	57,049
Cash receipts from third-party secured loan notes		—	202
Proceeds from disposal of purchased loan portfolios		694	268
Cash generated by operations		**43,522**	**26,756**
Income taxes and overseas taxation paid		(3,173)	—
Net cash from operating activities before Purchases of purchased loan portfolios		**40,349**	**26,756**
Purchases of purchased loan portfolios	8	(45,695)	(65,842)
Net cash from operating activities		**(5,346)**	**(39,086)**
Investing activities			
Purchase of property, plant and equipment		(41)	(52)
Purchase of intangible assets		(589)	(1,110)
Net cash used in investing activities		**(630)**	**(1,162)**
Financing activities			
Proceeds from additional loans		50,660	55,603
Redemption of loan notes and shares		—	(92)
Repayment of bank loan		(36,956)	(7,027)
Net cash generated by financing activities		**13,704**	**48,484**
Net increase in cash and cash equivalents		**7,728**	**8,236**
Cash and cash equivalents at beginning of period		**6,440**	**4,681**
Effect of exchange rates on cash and cash equivalents		(170)	(15)
Cash and cash equivalents at end of period		**13,998**	**12,902**

Notes to the Consolidated Financial Statements

1. Basis of Preparation

The annual financial statements of Arrow Global Guernsey Holdings Limited and its subsidiaries (the 'Group') are prepared in accordance with IFRSs as adopted by the European Union. The Group's interim results for the 10 months ended 31 October 2012 were approved by the Board of Directors on 10 January 2013, and have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those disclosed in the annual report for the year ended 31 December 2011 other than for a change in presentation of cash flows within the condensed consolidated statement of cash flow.

The presentation of certain items included within the condensed consolidated statement of cash flow differs from the presentation in the annual report for the year ended 31 December 2011 due to a change in classification to reflect a fairer presentation in light of the requirements of IAS 7 Statement of Cash Flows and to reflect industry practice. This reclassification reflects a change in the presentation of purchases of purchased loan portfolios to be within net cash from operating activities rather than within net cash used in investing activities as presented in the annual report for 31 December 2011, and results in a decrease in Net cash from operating activities and an increase in Net cash used in investing activities of £45.7 million and £65.8 million for the 10 months ended 31 October 2012 and 2011 respectively. This reclassification does not affect the consolidated balance sheets or the consolidated statement of comprehensive income nor did it affect the net increase (decrease) in cash or cash equivalents reported.

The financial information for the year ended 31 December 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of those accounts has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

2. Going Concern

The Group made a profit after tax of £6,643,000 during the 10 months ended 31 October 2012 from continuing activities and generated a net operating cash inflow of £39,655,000 during that period. At 31 October 2012 the Group had positive cash balances of £13,998,000 and shareholder loans of £103,947,000 which are not repayable until 2014.

The Directors are satisfied with the performance of the Group in the ten month period to 31 October 2012 and are satisfied that the Group will continue to grow and generate positive cash flows on its own account, despite the on-going uncertain economic environment. During the period, the Group undertook additional external financing which incorporated GE Capital and Goldman Sachs into the current revolving credit facility. The total available revolving credit facility increased to £120,000,000 with a termination date of September 2014. Forecasts until this date show that all covenants related to the facility are expected to be complied with and have been complied with to date.

On the basis of the above, as well as Management's consideration of detailed Group cash and trading forecasts, the Group's Directors have a reasonable expectation that the Group will be able to continue in operational existence for a period of not less than 12 months from the date of this report. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3. Critical Accounting Policies and Estimates

The Group's significant accounting policies are described below. The application of these accounting policies requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for turnover and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. On an ongoing basis, we evaluate our estimates, which are based on historical experience and market and other conditions, and on assumptions that we believe to be reasonable. We have chosen to highlight

3. Critical Accounting Policies and Estimates (continued)

certain policies that we consider critical to the operations of our business and understanding our consolidated financial information. The following areas are considered to involve a significant degree of judgment or estimation.

Revenue recognition

Purchased loan portfolios are financial instruments that are accounted for under IAS 39 and are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a purchased loan portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded as income from purchased loan portfolios in the Financial Statements. The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. The EIR is determined as at the time of purchase of the loan portfolio and then reassessed and adjusted up to 12 months after the purchase of the loan portfolio to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on income from purchased loan portfolios. When an individual portfolio's carrying value is completely recovered, we recognize any subsequent collections as revenue as it is received.

Cash flow forecasts

Estimates of cash flows that determine the effective interest rate are established for each purchased portfolio over 12 months old and are based on our collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location, and time since original charge-off. Revaluations of portfolios are based on the 84-month estimated remaining collections (''ERC''). The ERC is updated with the actual collections experience to date on a monthly basis using a proprietary model. ERC represents an estimate of the undiscounted cash value of our purchased loan portfolios as a point in time.

Revenue on assets under management

In accordance with IAS 18, we recognise revenue on our managed services contracts when it is probable that the economic benefits associated with the transaction will be received and the amount can be measured reliably. The right to receive such revenue is measured in reference to services rendered based on the stage of completion, regardless of milestone payments received.

Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, we identify an incubation period, during which time the portfolio is reviewed for signs of impairment but for which the EIR is not formally set. The incubation period lasts for no more than 12 months subsequent to acquisition date of the portfolio.

4. Finance Costs

	For the ten month period ended 31 October 2012 £000	For the ten month period ended 31 October 2011 £000
Interest on minority interest loans	288	106
Interest on bank loans	2,674	3,643
Shareholder interest expense	12,243	8,710
Total interest expense	**15,205**	**12,459**
Fair value losses on interest rate swaps	503	—
	15,708	**12,459**

5. Tax

The Group's entities incorporated in Guernsey are taxed at 0%. Corporation tax is payable in respect of the Group's entities in the UK and Poland, of which the UK's activities are more predominant. The analysis below therefore uses the UK rate of corporation tax. The effective tax rate for the period ended 31 October 2012 is higher (31 October 2011: higher than) than the standard rate of corporation tax in the UK at 24.5% (2011: 26.5%), the differences are as follows:

	For the ten month period ended 31 October 2012 £000	For the ten month period ended 31 October 2011 £000
Profit before tax	9,208	4,809
Tax charge at the standard UK corporation tax rate of 24.5% (2011: 26.5%)	2,256	1,274
Adjustment in respect of prior years	82	(3)
Tax effect of utilisation of tax losses not previously recognised	—	(905)
Expenses not deductible for tax purposes	159	48
Other	6	(16)
Differing overseas tax rates	62	1,274
Tax charge	**2,565**	**1,672**
Effective tax rate relating to continuing operations	**27.9%**	**34.8%**

5. Tax (continued)

	For the ten month period ended 31 October 2012 £000	For the ten month period ended 31 October 2011 £000
Tax charge for the period ended 31 October 2012 consists of:		
Current tax charge:		
UK and foreign corporation tax based on profit for the period	2,247	1,791
Adjustment in respect of prior years	182	(3)
Total current tax charge	**2,429**	**1,788**
Deferred tax charge/(credit):		
Origination and reversal of temporary differences	236	(116)
Adjustment in respect of prior years	(100)	—
Total tax charge	**2,565**	**1,672**

6. Other Receivables

	For the ten month period ended 31 October 2012 £000	For the ten month period ended 31 October 2011 £000	For the year ended 31 December 2011 £000
Prepayments and accrued income	5,571	3,827	3,875
Other debtors	1,221	909	1,885
Deposits	44	33	33
	6,836	**4,769**	**5,793**

7. Trade and Other Payables

	For the ten month period ended 31 October 2012 £000	For the ten month period ended 31 October 2011 £000	For the year ended 31 December 2011 £000
Trade payables	2,919	2,059	2,587
Taxation and social security	107	92	221
Other liabilities and accruals	5,464	3,587	4,889
	8,490	**5,738**	**7,697**

8. Purchased Loan Portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39 ‘Financial Instruments: Recognition and Measurement’. At 31 October 2012, the carrying amount of the purchased loan portfolio asset was £173,799,000 (31 October 2011: £109,919,000, 31 December 2011: £150,005,000).

8. Purchased Loan Portfolios (continued)

The movements in purchased loan portfolio assets were as follows:

	For the ten month period ended 31 October 2012 £000	For the ten month period ended 31 October 2011 £000	For the year ended 31 December 2011 £000
As at the beginning of the period	150,005	62,435	62,435
Portfolios acquired during the period	45,695	65,842	109,744
Collections from loan portfolios in the period	(72,804)	(57,049)	(68,248)
Income from purchased loan portfolios	50,501	38,949	47,493
Deferred consideration on portfolio acquisition in the period	—	(400)	(400)
Exchange movement on purchased loan portfolios	152	49	42
Amortisation of legal acquisition fees on portfolios	(229)	(49)	(57)
Disposal of purchased loan portfolios	(376)	(675)	(1,820)
Portfolio write up	856	816	816
As at the end of the period	**173,800**	**109,918**	**150,005**

9. Related Party Transactions

The Group enters into related party transactions with funding investors and individual minority shareholders which include transactions relating to deferred consideration. The balance sheet carrying value of such liabilities are set out on the table below:

Remuneration for Directors and key management personnel has not been disclosed, as these represent on-going operational costs that have not shown a material change in the period.

As at 31 October 2012:

	RB Investments 1 Limited £000	RBS Asset Management Limited £000	Key management personnel £000	Other minority shareholders £000	Total £000
Non-controlling interest loan	—	—	—	2,558	2,558
Shareholders' loans	103,947	—	—	—	103,947
Bank loan	—	11,000	—	—	11,000
Deferred consideration	—	—	—	—	—
	103,947	**11,000**	**—**	**2,558**	**117,505**

As at 31 October 2011:

	RB Investments 1 Limited £000	RBS Asset Management Limited £000	Key management personnel £000	Other minority shareholders £000	Total £000
Non-controlling interest loan	—	—	—	1,904	1,904
Shareholders' loans	89,434	—	—	—	89,434
Deferred consideration	—	—	1,065	—	1,065
	89,434	**—**	**1,065**	**1,904**	**92,403**

9. Related Party Transactions (continued)

As at 31 December 2011:

	RB Investments 1 Limited £000	RBS Asset Management Limited £000	Key management personnel £000	Other minority shareholders £000	Total £000
Non-controlling interest loan . .	—	—	—	1,950	1,950
Shareholders' loans	91,703	—	—	—	91,703
Deferred consideration	—	—	1,065	—	1,065
	91,703	**—**	**1,065**	**1,950**	**94,718**

The amount owed to RB Investments 1 is in respect of loan notes issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £41,625,000 and on 30 June 2011 for an amount of £25,000,000 with interest accruing at 15% per annum amounting to £37,322,000 for the ten months ended 31 October 2012 (period ended 31 October 2011: £22,809,000).

An amount of £11,000,000 entered into by Arrow Global Guernsey Holdings Limited and RBS Asset Management Limited on October 29, 2012 and was repaid on November 2, 2012. The loan was advanced to facilitate the acquisition of a portfolio while we were in the process of drawing under our Existing Revolving Credit Facility. Interest on the loan was repayable at 18%.

Responsibility Statement

We confirm that to the best of our knowledge that the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

Wayne Bulpitt
Director
10 January 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

We have audited the financial statements of Arrow Global Guernsey Holdings Limited for the year ended 31 December 2011 which comprise the Consolidate Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, Consolidated and Parent Company Statement of Changes in Equity, Consolidated and Parent Company Statement of Cash Flow and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and parent company's affairs as at 31 December and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants
Manchester

29 March 2012

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2011

	Notes	Group Year Ended 31 December 2011 £000	Group Year Ended 31 December 2010 £000
Continuing operations			
Revenue			
Income from purchased loan portfolios	13	47,493	17,962
Portfolio write up	5,13	816	5
(Loss)/profit on portfolio and loan note sales		(25)	1,632
		48,284	19,599
Interest income and profit on disposal of secured loan notes	13	154	437
Interest income	6	1	4
Income from asset management		1,447	—
Total revenue		**49,886**	**20,040**
Operating expenses			
Collection activity costs		(18,152)	(6,902)
Professional fees and services		(3,243)	(1,261)
Other expenses	9	(7,150)	(6,004)
Total operating expenses		**(28,545)**	**(14,167)**
Operating profit		**21,341**	**5,873**
Shareholder interest expense	7	(10,979)	(7,761)
Interest expense	7	(4,153)	(121)
Profit/(loss) before tax		**6,209**	**(2,009)**
Taxation charge on ordinary activities	10	(2,006)	(45)
Profit/(loss) for the year attributable to equity shareholders		**4,203**	**(2,054)**
Foreign exchange translation difference arising on revaluation of foreign operations		(291)	(10)
Total comprehensive income/(expenditure) for the year attributable to equity shareholders		**3,912**	**(2,064)**

The notes on pages F-17 to F-37 form part of these financial statements.

Arrow Global Guernsey Holdings Limited
Year Ended 31 December 2011

Consolidated and Parent Company Balance Sheets as at 31 December 2011

	Notes	Group 31 December 2011 £000	Company 31 December 2011 £000	Group 31 December 2010 £000	Company 31 December 2010 £000
Assets					
Non-current assets					
Goodwill	11	1,968	—	1,968	—
Other intangible assets	12	1,719	—	156	—
Property, plant & equipment	12	403	—	472	—
Purchased loan portfolios	13	114,883	—	48,280	—
Secured loan notes	13	—	—	255	—
Due from subsidiary undertakings	19	—	24,861	—	23,735
Investment in subsidiary undertakings	20	—	14,584	—	14,584
Total non-current assets		**118,973**	**39,445**	**51,131**	**38,319**
Current assets					
Cash and cash equivalents		6,440	62	4,681	1,882
Other receivables	14	5,793	474	1,415	4
Derivative asset	21	116	116	—	—
Purchased loan portfolios	13	35,122	—	14,155	—
Deferred tax asset		139	—	—	—
Secured loan notes	13	—	—	161	—
Due from subsidiary undertakings	19	—	58,243	—	20,959
Total current assets		**47,610**	**58,895**	**20,412**	**22,845**
Total assets		**166,583**	**98,340**	**71,543**	**61,164**
Equity					
Share capital	17	10	10	10	10
Share premium	17	3	3	6	6
Retained earnings/(deficit)		3,456	(25,072)	(747)	(13,752)
Translation reserve		(459)	—	(168)	—
Total equity attributable to shareholders		**3,010**	**(25,059)**	**(899)**	**(13,736)**
Liabilities					
Non-current liabilities					
Non-controlling interest loan	22	1,950	1,950	523	523
Deferred consideration	19,25	—	—	1,024	—
Bank loan	21	58,983	—	—	—
Shareholders' loan	16,22	91,703	91,703	55,725	55,725
Total non-current liabilities		**152,636**	**93,653**	**57,272**	**56,248**
Current liabilities					
Trade and other payables	15	7,697	91	6,311	1,957
Derivative liability	21	—	—	373	373
Deferred consideration	19,25	1,065	—	1,440	—
Current tax liability		2,175	—	19	—
Bank loan	22	—	—	7,027	7,027
Due to subsidiary undertakings	19	—	29,655	—	9,295
Total current liabilities		**10,937**	**29,746**	**15,170**	**18,652**
Total liabilities		**163,573**	**123,399**	**72,442**	**74,900**
Total equity and liabilities		**166,583**	**98,340**	**71,543**	**61,164**

The notes on pages F-17 to F-37 form part of these financial statements.

Approved by the Board of Directors on 27/3/12, signed and authorised for issue on its behalf by:

Director Wayne Bulpitt

Guernsey Registered No. 49541

Consolidated and Parent Company Statement of Changes in Equity for the Year Ended 31 December 2011

Group	A Ordinary shares £000	B Ordinary shares £000	Share premium £000	Retained earnings £000	Translation reserve £000	Total £000
Balance at 31 December 2009	**9**	**1**	**6**	**1,307**	**(158)**	**1,165**
Loss for the year	—	—	—	(2,054)	—	(2,054)
Exchange differences	—	—	—	—	(10)	(10)
Total comprehensive expenditure for the year	**—**	**—**	**—**	**(2,054)**	**(10)**	**(2,064)**
Balance at 31 December 2010	**9**	**1**	**6**	**(747)**	**(168)**	**(899)**
Profit for the year	—	—	—	4,203	—	4,203
Exchange differences	—	—	—	—	(291)	(291)
Total comprehensive income for the year	**—**	**—**	**—**	**4,203**	**(291)**	**3,912**
Redemption of shares	—	—	(3)	—	—	(3)
Balance at 31 December 2011	**9**	**1**	**3**	**3,456**	**(459)**	**3,010**

Company	A Ordinary shares £000	B Ordinary shares £000	Share premium £000	Retained earnings £000	Total £000
Balance at 31 December 2009	**9**	**1**	**6**	**(6,690)**	**(6,674)**
Total comprehensive expenditure for the year	**—**	**—**	**—**	**(7,062)**	**(7,062)**
Balance at 31 December 2010	**9**	**1**	**6**	**(13,752)**	**(13,736)**
Loss for the year	—	—	—	(11,320)	(11,320)
Total comprehensive expenditure for the year	**—**	**—**	**—**	**(11,320)**	**(11,320)**
Redemption of shares	—	—	(3)	—	(3)
Balance at 31 December 2011	**9**	**1**	**3**	**(25,072)**	**(25,059)**

The notes on pages F-17 to F-37 form part of these financial statements.

Consolidated and Parent Company Statement of Cash Flow for the Year Ended 31 December 2011

	Notes	Group Year Ended 31 December 2011 £000	Company Year Ended 31 December 2011 £000	Group Year Ended 31 December 2010 £000	Company Year Ended 31 December 2010 £000
Cash flows from operating activities					
Profit/(loss) before tax		6,209	(11,320)	(2,009)	(7,062)
Non-cash movements:					
Portfolio write up	13	(816)	—	(5)	—
Income on purchased loan portfolios	13	(47,493)	—	(17,962)	—
Depreciation and amortisation	12	283	—	244	—
(Increase)/decrease in other receivables		(4,378)	(470)	281	(4)
(Increase) in amounts due from subsidiary undertakings		—	(37,726)	—	(10,612)
Increase in PIK note interest		—	(685)	—	(624)
Increase in interest payable on shareholders' loans		10,979	10,979	7,761	7,761
Interest payable on bank and non-controlling interest loans		156	156	89	88
Increase in deferred consideration		41	—	173	—
Foreign exchange (gains)/losses		(336)	—	90	—
Loss/(profit) on disposal of purchased loan portfolios		25	—	(1,461)	—
Amortisation of legal acquisition fees on portfolios		57	—	59	—
Interest income and profit on disposal of secured loan notes	13	(154)	—	(730)	—
Deferred consideration adjustment/(paid) on purchased loan portfolios		400	—	(643)	—
Decrease in amounts due to subsidiary undertakings			(35,525)		(250)
Movement on fair values on derivatives	21	(489)	(489)	(320)	(320)
Increase/(decrease) in trade and other payables	15	1,386	(1,866)	3,560	1,902
Operating cash flows before cash movements		**(34,130)**	**(76,946)**	**(10,873)**	**(9,121)**
Payment of deferred consideration		(1,440)	—	(3,527)	—
Collections in the year	13	68,248	—	25,646	—
Cash from secured loan notes from third party	13	570	—	1,859	—
Proceeds from disposal of purchased loan portfolios		1,795	—	1,965	—
Cash generated by operations		**35,043**	**(76,946)**	**15,070**	**(9,121)**
Income taxes and overseas taxation paid		—	—	(1,001)	—
Net cash flow from operating activities		**35,043**	**(76,946)**	**14,069**	**(9,121)**
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(112)	—	(265)	—
Purchase of intangible assets	12	(1,665)	—	—	—
Purchases of purchased loan portfolios	13	(109,744)	—	(29,613)	—
Net cash flow from investing activities		**(111,521)**	**—**	**(29,878)**	**(9,121)**
Cash flows from financing activities					
Proceeds from additional loans		85,343	82,245	7,462	7,462
Redemption of loan notes and shares		(92)	(92)	—	—
Repayment of bank loan		(7,027)	(7,027)	—	—
Net cash flow from financing activities		**78,224**	**75,126**	**7,462**	**7,462**
Net increase in cash and cash equivalents		**1,746**	**(1,820)**	**(8,347)**	**(1,659)**
Cash and cash equivalents at beginning of year		**4,681**	**1,882**	**13,038**	**3,541**
Effect of exchange rates on cash and cash equivalents		13	—	(10)	—
Cash and cash equivalents at end of year		**6,440**	**62**	**4,681**	**1,882**

The notes on pages F-17 to F-37 form part of these financial statements.

1. General information

At 31 December 2011, Arrow Global Guernsey Holdings Limited was the Ultimate Parent Company of the Group. The Company's subsidiaries (collectively the ''Group'') are Batchblock Limited (100% Company), Arrow Global Guernsey Limited (100% Company), Arrow Global (Holdings) Limited (100% Batchblock Limited), Arrow Global Limited (100% Arrow Global (Holdings) Limited), Arrow Global Receivables Management Limited (100% Arrow Global (Holdings) Limited), Arrow Global Portugal Limited (100% Arrow Global (Holdings) Limited), Arrow Global SPV Limited (100% Arrow Global (Holdings) Limited), Strzala Sp. z o.o. (99% Arrow Global (Holdings) Limited, 1% Arrow Global Limited), Arrow Global Debt Limited (100% Company), Arrow Global Debt No. 1 Limited (100% Arrow Global Debt Limited), Arrow Global Debt No. 2 Limited (100% Arrow Global Debt Limited), Arrow Global Debt No. 3 Limited (100% Arrow Global Debt Limited) and Arrow Global Guernsey Management Limited (100% Arrow Global Debt Limited).

Through its subsidiary companies, the Group acquires certain pools of semi-performing and/or charged-off consumer loans pursuant to the terms of each specific purchase agreement. The Group enters into contractual servicing agreements with other third parties to collect the receivables, to administer and disburse the proceeds of the receivables, and to take other actions as may be necessary to fully effectuate the terms of the articles of association.

2. Adoption of new and revised standards

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011 but do not have any impact on the Group:

Amendment to IFRS 1 (January 2010), 'Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters';

International Accounting Standards ('IAS') 24 (revised November 2009) 'Related Party Disclosures';

Amendment to IAS 32 (October 2009) 'Classification of Rights Issues';

Improvements to IFRSs 2010 (May 2010);

Amendments to IFRIC 14 (November 2009) 'Prepayments of a Minimum Funding Requirement'; and

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'.

The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the Group:

IFRS 7 (amendment) 'Disclosures—offsetting financial assets and financial liabilities';

IFRS 7 (amendment) 'Disclosures—transfers of financial assets';

IFRS 9 'Financial instruments'. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not yet applicable until 1 January 2015 and has not yet been endorsed by the EU, however, is available for early adoption. The Group is in the process of assessing IFRS 9's full impact.

IFRS 10 'Consolidated Financial Statements';

IFRS 13 'Fair value measurements';

IAS 1 (amendment) 'Presentation of items of other comprehensive income';

IAS 12 (amendment) 'Deferred tax: recovery of underlying assets';

IAS 19 (revised) 'Employee benefits';

IAS 27 (revised) 'Separate Financial Statements'; and

IAS 32 (amendment) 'Offsetting financial assets and financial liabilities'.

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with EU IAS Regulation.

The Financial Statements of the Group and the Company have been prepared under the historical cost convention other than the fair value of derivative contracts.

Going concern

The financial statements have been prepared under the going concern basis, which the Directors believe to be appropriate. The Directors are satisfied that the Group has adequate resources to continue to trade for the foreseeable future and the going concern basis continues to be appropriate for preparing the financial statements. In making this assessment, detailed trading forecasts have been prepared which support the going concern assumptions in being applied. The decline in the economic climate has seen increased amounts of charged-off, unsecured debt being placed into the marketplace by large financial institutions and this trend looks set to continue for the foreseeable future. This presents an opportunity for the Group to acquire portfolios of debt during this time for purchase considerations significantly lower than the debt's face value.

During the year, the Group undertook external financing from The Royal Bank of Scotland PLC and West LB for a total available revolving credit facility of £80,000,000 with a termination date of September 2014. Forecasts until this date show that all covenants related to the facility are expected to be complied with.

The Company did not generate any cash or revenue of its own as its activities remain that of a holding Company. The principal liabilities of the Group relate to the shareholder loan of £91,703,000 which is not repayable until 2015. The shareholder of the Company owns 100% of the assets and liabilities of the Group and manages its exposure at a Group level, not at a Company level.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

3. Significant accounting policies (continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

In accordance with IAS 39, paragraph 9, the Company recognises revenue from purchased loan portfolios using the effective interest method. The effective interest method is a method of calculating the amortised cost of a purchased loan portfolio and of allocating interest income over the expected life of the portfolio. The effective interest rate is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. When a portfolio is purchased, the portfolio is held at cost for the first 12 months. Subsequently, the Company estimates monthly future cash flows for each portfolio and calculates the effective interest rate for the portfolios expected economic life. When an individual portfolio's carrying value is completely recovered, the Company recognises any subsequent collections as income. Estimates of cash flows that determine the effective interest rate are established for each purchased portfolio over 12 months old and are based on the Company's collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, and type of receivable, customer payment histories, customer location and time since original charge-off.

The portfolio asset is analysed between current and non-current in the Balance Sheet. The current asset is determined using the expected cash flows arising in the next twelve months after the balance sheet date. The residual amount is classified as non-current.

Revenue on assets under management

In accordance with IAS 18, the Company recognises revenue on its managed services contracts when the right to receive such revenue is reasonably assured and can be measured reliably. The right to receive such revenue is measured in reference to services rendered based on the stage of completion, regardless of milestone payments received.

3. Significant accounting policies (continued)

Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, the Company identifies an incubation period, during which time the portfolio is reviewed for signs of impairment but for which the EIR is not formally set. The incubation period lasts for no more than 12 months post acquisition date.

Interest income from secured loan notes

The Group has entered into lending arrangements with third parties to provide capital to purchase non-performing consumer debt portfolios (see note 13). Interest income is recognised throughout the year.

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

The Group has, for the period covered by these financial statements, only made contributions to defined contribution plans to provide pension benefits for employees upon retirement and, otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in pounds sterling, which are the functional currency of the Company and the presentation currency for the Consolidated Financial Statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the Consolidated Statement of Changes in Equity.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit/ (loss) for the period. Taxable profit/(loss) differs from profit/(loss) as reported in the Consolidated Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Group has not recognised a deferred tax asset in the period in respect of losses carried forward (see note 10).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Property, plant and equipment and other intangibles

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method on the following bases:

Furniture	5 years
Computer equipment and software	3 years
Leasehold improvements	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Statement of Comprehensive Income.

Acquired licenses are capitalised at cost and amortised over the shorter of contractual life and useful economic life.

Financial assets

The Group's purchased loan portfolios and secured loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Under IAS 39, such assets are classified as 'loans and receivables' and are measured at amortised cost using the effective interest method less any impairment.

3. Significant accounting policies (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire. Financial liabilities are held at amortised cost.

Investment in subsidiaries

Fixed asset investment is stated at cost less any provision for impairment.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capitalisation of legal transaction fees

Legal transaction fees are allocated to the purchase price of the portfolio with the effective interest rate applied against the asset value.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

The Group makes estimates of the anticipated future return on its purchased loan portfolios when calculating the revenue from the portfolios acquired in the year. In determining the anticipated future return on its portfolios, the Company prepares cash flow projections to calculate an effective interest rate to generate the yield income. Actual cash flows will vary from projected cash flows.

Periodic impairment reviews are performed to assess the accuracy of the original cash flow projections by estimating future cash collections based on a probability of payment on the remaining asset book. The net present value of the forecast cash collections using the initially determined effective interest rate is assessed against the carrying value of the asset with any adjustment taken to the income statement.

5. Profit/(loss) for the year

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Net foreign exchange (gains)/losses	(336)	90
Operating lease—properties	205	205
Portfolio write up	(816)	(5)
Depreciation and amortisation	283	244

6. Interest income

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Bank interest	1	4

7. Interest expense

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Interest on minority interest loans	156	63
Interest on deferred consideration	—	58
Interest on bank loans	3,997	—
Shareholder interest expense	10,979	7,761
	15,132	7,882

8. Auditor remuneration

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
The analysis of auditor remuneration is as follows:		
Fees payable for audit services—Company	20	20
Fees payable for audit services for subsidiaries	65	64
Total fees payable for audit services	**85**	**84**
Fees payable for tax compliance	31	30
Fees payable for tax advisory services	129	42
Fees payable for other assurance services	17	—
Fees payable for other non-audit work	46	—
Total fees payable for non-audit services	**223**	**72**
	308	**156**

9. Staff costs and other operating expenses

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Wages, bonuses and salaries	4,098	2,803
Payments for termination of employment of key management	546	125
Payments for termination of employment of employees	33	103
Pension costs	110	78
Social security costs	502	244
	5,289	3,353

The average monthly number of employees (including executive Directors) was 68 (2010: 52). The total Director's remuneration paid during the year was £602,000 (2010: £673,000). The remuneration of the highest paid Director during the year was £285,000 (2010: £250,000).

The average monthly number of employees are analysed below:

	Year ended 31 December 2011 number	Year Ended 31 December 2010 number
Data and Systems	30	22
Collections	24	20
Management	8	5
Finance	6	5
	68	52

9. Staff costs and other operating expenses (continued)

Other operating expenses are as follows:

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Employee	5,289	3,353
Other staff costs	365	523
Premises	571	604
IT	660	539
Other	265	985
	7,150	6,004

10. Tax

The Group's entities incorporated in Guernsey are taxed at 0%. Corporation tax is payable in respect of the Group's entities in the UK and Poland, of which the UK's activities are more predominant. The analysis below therefore uses the UK rate of corporation tax. The effective tax rate for the year ended 31 December 2011 is higher (2010: lower) than the standard rate of corporation tax in the UK at 26.5% (2010: 28%), the differences are as follows:

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Profit/(loss) before tax	6,209	(2,009)
Tax charge/(credit) at standard UK corporation tax rate of 26.5% (2010: 28%)	1,645	(563)
Adjustment in respect of prior years	(4)	—
Current years loss utilisation	(1,064)	(1,206)
Expenses not deductible for tax purposes	58	76
Capital allowances in excess of depreciation	(13)	6
Short term timing differences	(6)	119
Differing overseas tax rates	1,529	1,613
Tax charge	**2,145**	**45**
Effective tax rate relating to continuing operations	**34.5%**	**(2.2%)**

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Tax charge for the year ended 31 December 2011 consists of:		
Current tax charge:		
UK and foreign corporation tax at 26.5% based on profit for the year	2,145	45
Total current tax charge	**2,145**	**45**
Deferred tax credit:		
Origination and reversal of temporary differences	(139)	—
Total tax charge	**2,006**	**45**

10. Tax (continued)

The Group has not recognised a deferred tax asset in respect of £249,000 (2010: £249,000) of tax losses carried forward. These losses are available for offset against future trading profits and have no expiry date.

11. Goodwill

Cost and Net Book Value	Total £000's
At 1 January 2011 and 31 December 2011	1,968

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The Group has considered the cash generating unit (''CGU'') that supports the purchased goodwill, and the recoverable amount of this CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and forecast cash flows during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The rate used to discount the forecast cash flows from this CGU is 10% (2010: 10%). At the beginning and end of the financial period the fair value of goodwill was substantially in excess of its book value and therefore management deem it reasonable not to impair the carrying amount of goodwill.

12. Property, plant and equipment and intangible assets

	Leasehold improvements £000	Computer equipment £000	Furniture £000	Total property, plant and equipment £000	Software licenses £000	Total intangible assets £000
Cost						
At 1 January 2011	**331**	**232**	**116**	**679**	**288**	**288**
Additions	15	51	46	112	1,665	1,665
At 31 December 2011	**346**	**283**	**162**	**791**	**1,953**	**1,953**
Accumulated depreciation						
At 1 January 2011	**87**	**97**	**23**	**207**	**132**	**132**
Charge for the year	77	75	29	181	102	102
At 31 December 2011	**164**	**172**	**52**	**388**	**234**	**234**
Carrying amount						
At 31 December 2011	**182**	**111**	**110**	**403**	**1,719**	**1,719**
At 31 December 2010	**244**	**135**	**93**	**472**	**156**	**156**

13. Financial assets

For the year ended 31 December 2011:

	Current £000	Non-current £000	Total £000
Purchased loan portfolios	34,983	114,206	149,189
Portfolio write up	139	677	816
	35,122	**114,883**	**150,005**

13. Financial assets (continued)

For the year ended 31 December 2010:

	Current £000	Non-current £000	Total £000
Purchased loan portfolios	14,232	48,198	62,430
Portfolio write up	(77)	82	5
	14,155	48,280	62,435
Secured loan notes	161	255	416
	14,316	**48,535**	**62,851**

Secured loan notes

At 31 December 2011, secured loan notes of £nil (2010: £416,000) existed with third parties to provide capital to purchase under-performing consumer debt portfolios. The secured loan notes comprise of secured senior and secured mezzanine notes which carry interest at rates based on the London Interbank Offered Rate (''LIBOR'') or the Euro Interbank Offered Rate (''EURIBOR'') are repayable in monthly instalments and mature between 22 May 2016 and 12 December 2017. The secured loan notes are secured by the loans within the acquired consumer debt portfolios. Interest income and profit on disposal of loan notes during the year ended 31 December 2011 was £154,000 (2010: £437,000). Cash collected in the year relating to loan notes was £570,000 (2010: £1,859,000).

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 December 2011, the carrying amount of the purchased loan portfolio asset was £150,005,000 (2010: £62,435,000).

The movements in purchased loan portfolio assets were as follows:

	2011 £000	2010 £000
As at the beginning of the year	62,435	40,511
Portfolios acquired during the year	109,744	30,256
Collections in the year	(68,248)	(25,646)
Income from purchased loan portfolios	47,493	17,962
Deferred consideration on portfolio acquisition in the year	(400)	—
Exchange loss on purchased loan portfolios	42	(90)
Amortisation of legal acquisition fees on portfolios	(57)	(59)
Disposal of purchased loan portfolios	(1,820)	(504)
Portfolio write up	816	5
As at 31 December	**150,005**	**62,435**

14. Other receivables and prepayments

	31 December 2011 £000	31 December 2010 £000
Prepayments	3,875	1,152
Other debtors	1,885	235
Deposits	33	28
	5,793	**1,415**

The Directors consider that the carrying amounts approximate to their fair value.

15. Trade and other payables

	31 December 2011 £000	31 December 2010 £000
Trade payables	2,587	1,716
Taxation and social security	221	13
Other liabilities and accruals	4,889	4,582
	7,697	**6,311**

The Directors consider that the carrying amounts approximate to their fair value.

16. Shareholder's loans

The Company has a nominal amount of £66,625,000 of £1 loan stock accruing interest at 15% per annum in issue. The loan stock and accrued interest are repayable at the earliest of the sale of the business or 31 December 2015.

As at 31 December 2011, there was £66,625,000 of loan stock in issue and accruing interest as follows:

	31 December 2011 £000	31 December 2010 £000
Loan received from shareholders	66,625	41,625
Interest accruing at 15% per annum	25,078	14,099
	91,703	55,725

The Directors consider that the carrying amounts approximate to their fair value.

17. Share capital

The share capital of the Company is unlimited. For the period from incorporation the Company issued 10,252 Ordinary shares for a total consideration of £16,366 giving rise to a share premium of £6,364, of which £2,937 was redeemed during the year, and:

	31 December 2011 £	31 December 2010 £
Issued and fully paid:		
'A' Ordinary Shares of £1 each	9,002	9,002
'B' Ordinary Shares of £1 each	1,000	1,000
'C' Ordinary Shares of £1 each	200	—
'D' Ordinary Shares of £1 each	50	—
	10,252	10,002

The Company's ordinary shares carry no right to fixed income. Each 'A' ordinary share shall rank equally for any dividends paid thereon which shall be paid pro rata to the issue price of each 'A' ordinary share. A dividend may be paid on the 'B' ordinary share at the direction of the board subject to the prior written consent of the majority of 'A' ordinary shareholders having been obtained. Each 'B' ordinary share shall rank equally for any dividends paid thereon which shall be paid pro rata to the issue price of each 'B' ordinary share. Every holder of A ordinary share who is present in person or by proxy shall have one vote for every share.

18. Lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2011 £000	31 December 2010 £000
Less than 1 year	189	235
1-2 years	189	235
2-5 years	362	362
	740	832

Operating lease payments represent rentals payable by the Group for certain of its office properties.

19. Related party transactions

Group

As at 31 December 2011:

	RB Investments 1 £000	Deferred consideration £000	Non-controlling interest loan £000	Total £000
Non-controlling interest loan	—	—	(1,950)	(1,950)
Shareholders loans	(91,703)	—	—	(91,703)
Amounts due to related parties	—	(1,065)	—	(1,065)
	(91,703)	(1,065)	(1,950)	(94,718)

As at 31 December 2010:

	RB Investments 1 £000	Deferred consideration £000	Non-controlling interest loan £000	Total £000
Non-controlling interest loan	—	—	(523)	(523)
Shareholders loans	(55,725)	—	—	(55,725)
Amounts due to related parties	—	(2,464)	—	(2,464)
	(55,725)	(2,464)	(523)	(58,712)

The non-controlling interest loan constitutes secured loan notes issued to individual minority shareholders. The loan notes accrue interest under the same terms of the shareholder loan and are not repayable until 2015. Accrued interest during the year amounted to £156,000 (2010: £61,000).

Transactions with Directors and key managers

There were no material related transactions with Directors or key managers during the accounting period other than Director's emoluments and deferred consideration.

19. Related party transactions (continued)

Company

As at 31 December 2011:

	RB Investments 1 £000	Arrow Global Guernsey Limited £000	Batchblock Limited £000	Arrow Global Limited £000	Total £000
Shareholders loans	(91,703)	—	—	—	(91,703)
Intercompany receivables	—	56,103	2,140	—	58,243
Intercompany creditors	—	—	—	(29,655)	(29,655)
Related party PIK Notes	—	15,089	9,772	—	24,861
	(91,703)	**71,192**	**11,912**	**(29,655)**	**(38,254)**

As at 31 December 2010:

	RB Investments 1 £000	Arrow Global Guernsey Limited £000	Batchblock Limited £000	Arrow Global Limited £000	Total £000
Shareholders loans	(55,725)	—	—	—	(55,725)
Intercompany receivables	—	—	2,000	18,959	20,959
Intercompany creditors	—	(9,295)	—	—	(9,295)
Related party PIK Notes	—	14,405	9,330	—	23,735
	(55,725)	**5,110**	**11,330**	**18,959**	**(20,326)**

The amount owed to RB Investments 1 is in respect of loan notes issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £41,625,000 and on 30 June 2011 for an amount of £25,000,000 with interest accruing at 15% per annum amounting to £10,979,000 (2010: £14,099,000).

The amount owed to Arrow Global Guernsey Limited is in respect of an intercompany loan. The amount due from Arrow Global Guernsey Limited is in respect of a loan note issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £13,200,000 with interest accruing at 6 month LIBOR plus 3.5% amounting to £684,000 (2010: £624,000).

The amount due from Batchblock Limited is in respect of a loan note issued to Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £8,550,000 with interest accruing at 6 month LIBOR plus 3.5% amounting to £443,000 (2010: £403,000).

No other transactions occurred between the related parties, excluding those disclosed above.

20. Investments in subsidiary undertakings

Details of the Company's subsidiaries at 31 December 2011 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Parent Company
Arrow Global Guernsey Limited	Guernsey	100	AGGHL
Batchblock Limited (BBL)	United Kingdom	100	AGGHL
Arrow Global (Holdings) Limited (AG(H)L)	United Kingdom	100	BBL
Arrow Global Limited (AGL)	United Kingdom	100	AG(H)L
Arrow Global Receivables Management Limited	United Kingdom	100	AG(H)L
Arrow Global SPV Limited	United Kingdom	100	AG(H)L
Arrow Global Portugal Limited (AGPL)	United Kingdom	100	AG(H)L
Strzala Sp. z o.o.	Poland	100	AG(H)L/AGL
Arrow Global Debt Limited	Guernsey	100	AGGHL
Arrow Global Debt No. 1 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 2 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 3 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 4 Limited	Guernsey	100	AGDL

	Batchblock Limited £000	Arrow Global Guernsey Limited £000	Total £000
At 1 January 2011 and 31 December 2011	5,784	8,800	14,584

The investments in subsidiaries are all stated at cost.

21. Financial Instruments

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day to day working capital is funded by its cash and cash equivalents. The key risks identified for the Group are discussed below.

The Group has exposure to credit risk, market risk and liquidity risk that arises throughout the normal course of the Group's business.

Fair values

The Directors consider that there are no material differences between the financial asset values in the Consolidated Balance Sheet and their fair value.

Credit risk

Credit risk is considered upon the acquisition of a portfolio and loan notes by assessing the expected return. The Group manages this risk by monitoring the performance of the loan notes and portfolio throughout its economic life. Cash collections made on a loan notes and portfolio are continually monitored and the carrying value of the asset is impaired where it is deemed that the asset is underperforming.

21. Financial Instruments (continued)

The maximum credit risk exposure in relation to the financial assets is disclosed below:

Consolidated Balance Sheet

	31 December 2011 £000	31 December 2010 £000
Purchased loan portfolio	150,929	62,435
Cash and cash equivalents	6,440	4,681
Secured loan notes	—	416
Derivative asset	116	—
	157,485	**67,532**

The Group's principal activity is the acquisition and management of underperforming portfolios of loans. All purchased portfolios are, by their nature, significantly past due and impaired upon acquisition. No additional collateral is held in respect of the portfolios. The Group performs impairment reviews periodically.

All purchased loan portfolios are disclosed at amortised cost. Impairment is assessed on a regular basis by management and is identified on a portfolio basis following evidence that the financial asset is impaired. All secured loan notes are disclosed at amortised cost. Impairment is assessed on a regular basis by management and is identified on a loan basis following evidence that the financial asset is impaired.

Liquidity risk

The Group actively monitors its liquidity and cash flow position to ensure it has sufficient cash and purchased loan portfolio financing in order to fund its activities. The management team monitor cash through daily reporting, the management accounts and periodic review meeting. The table below includes both interest and principal cash flows:

As at 31 December 2011:

	Within 1 year £000	1 to 2 years £000	2-5 years £000	Total £000
Amounts due to:				
Non-interest bearing				
Trade and other payables	7,715	—	—	7,715
Deferred consideration	1,065	—	—	1,065
Interest bearing				
Non-controlling interest loan	—	—	2,633	2,633
Bank loan	—	—	62,015	62,015
Shareholder loan note	—	—	123,829	123,829
Total	**8,780**	**—**	**188,477**	**197,257**

21. Financial Instruments (continued)

As at 31 December 2010:

	within 1 year £000	1 to 2 years £000	above 2 years £000	Total £000
Amounts due to:				
Non-interest bearing				
Trade and other payables	6,311	—	—	6,311
Deferred consideration	1,440	1,024	—	2,464
Interest bearing				
Non-controlling interest loan	—	—	702	702
Bank loan	7,199	—	—	7,199
Shareholder loan note	—	—	75,216	75,216
Total	**14,950**	**1,024**	**75,918**	**91,892**

Market risk

Market risk is the risk that there is a decreased availability of distressed debt which consequently increases the market price at which portfolios can be acquired. In the event of the economy experiencing growth, there is the risk that debtors will have an increased ability to meet their obligations and repay an increased amount of debts originally undertaken. Current market conditions suggest this does not represent a significant risk for the foreseeable future. Furthermore, an improvement in macroeconomic conditions will result in an increased likelihood of previously distressed debt being recovered.

Interest rate risk

The Group is exposed to interest rate risk during the period on the purchased loan portfolio financing, related party loans, PIK loan note financing and cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment. The Group have an interest rate risk swap in place for a notional amount of £60,000,000.

Interest rate sensitivity analysis

If interest base rates had been 0.5 per cent higher/lower and all other variables were held constant, the Groups' loss for the year ended 31 December 2011 would decrease/increase by £38,000 (2010: £23,000). This is attributable to the Group's exposure to interest on its cash and cash equivalents;

If LIBOR rates had been 0.25 per cent higher/lower and all other variables were held constant, the Group's loss for the period ended 31 December 2011 would decrease/increase by £101,000 (2010: £18,000). This is attributable to the Group's exposure to interest on its rolling credit facility.

Foreign currency risk

The Group is exposed to foreign exchange currency risk on purchased loan portfolios, secured loan notes, cash and cash equivalents and its transactions with other related parties. The risk of this exposure is reduced using forward foreign exchange contracts.

21. Financial Instruments (continued)

Foreign currency sensitivity analysis

If foreign exchange rates had been 10 per cent higher than those at the balance sheet date and all other variables were held constant, the Group's net assets for each denomination of currency would increase/(decrease) as follows:

	31 December 2011 £000	31 December 2010 £000
Currency		
Euro (EUR)	(595)	(534)
US Dollar (USD)	(4)	(19)
Polish Zloty (PLN)	(60)	(36)
	(659)	(589)

If foreign exchange rates had been 10 per cent lower than those at the balance sheet date and all other variables were held constant, the Group's net assets for each denomination of currency would increase/(decrease) as follows:

	31 December 2011 £000	31 December 2010 £000
Currency		
Euro (EUR)	727	653
US Dollar (USD)	5	23
Polish Zloty (PLN)	74	44
	806	720

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity.

The Group is not subject to any externally imposed capital requirements.

The management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at the 31 December 2011 was:

	31 December 2011 £000	31 December 2010 £000
Cash and cash equivalents	6,440	4,681
Ordinary shares	13	16
Shareholder loan notes (15% interest)	91,703	55,725

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts.

21. Financial Instruments (continued)

In the current year, the Group has created certain forward contracts to mitigate its portfolio future cash flows in Poland and Portugal. The collection remittances are received in Polish Zloty and Euro's respectively. The Group has entered into the forward foreign exchange contracts (for terms provided in the table below) to mitigate the exchange rate risk arising from these anticipated future cash flows.

As at 31 December 2011, the aggregate amount of gains under forward foreign exchange contracts that have been recognised in the Consolidated Statement of Comprehensive Income relating to the exposure on these anticipated future transactions is £489,000 (2010: £320,000). It is anticipated that the cash flows will take place over the next three years for Portugal.

Outstanding contracts	Average exchange rate	Notional value 2011 £000	Maturity date	Fair value 2011 £000
Cash flow hedges				
Sell Euro				
European OTC Put GBP/Call EUR	1.154	1,361	31 Jan 2012	36
European OTC Put GBP/Call EUR	1.154	1,337	31 Jan 2013	31
European OTC Put GBP/Call EUR	1.154	1,148	31 Jan 2014	49
Balance sheet asset				**116**
Total gain recognised in Consolidated Statement of Comprehensive Income				**489**

Fair value hierarchy

Derivative financial instruments are initially recognised, and subsequently measured, at fair value. Level 1 fair value measurements are those where the value has been derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Of the above derivative contracts, the fair value asset of £116,000 (2010: liability of £373,000) has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

Foreign exchange exposure

Arrow Global Guernsey Holdings Limited manages its foreign exchange exposure that arises from its Portugal portfolio income and is denominated in Euros. The Company has some assets denominated in the same currency as the foreign portfolio income, which should mitigate some of the foreign currency exchange rate risk on these operations.

The following table sets out the foreign exchange exposure of the financial assets and liabilities of the Polish business:

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Current assets		
Cash and cash equivalents	6,440	48
Other debtors and tax assets	6,048	2,248
Current liabilities		
Trade and other payables	7,697	11

22. Borrowings

	31 December 2011 £000	31 December 2010 £000
Secured borrowing at amortised cost		
Bank loans (net of transaction fees of £2,205,000 (2010: £nil))	58,983	7,027
Shareholder loans	91,703	55,725
Non-controlling interest loan	1,950	523
	152,636	**63,275**
Total borrowings		
Amount due for settlement within 12 months	**—**	**7,027**
Amount due for settlement after 12 months	**152,636**	**56,248**

All amounts are denominated in GBP.

The revolving credit facility has a term out date of September 2013 and a termination date of September 2014. Interest on bank loans are repayable at 4% plus LIBOR up to the term out date and at 5% plus LIBOR after the term out date up until the termination date. The bank loan is repayable by the termination date and is secured against the portfolio assets of the Group. Monthly loan repayments are based on a percentage of the monthly collections that the facility is secured against. There are no fixed contractual repayment dates prior to the above dates.

Shareholder loan notes stock of £66,625,000 has been issued and is repayable at par on 31 December 2015. Interest on shareholder loan notes is accrued at 15% amounting to £25,078,000 redeemable on 31 December 2015 at par value.

Non-controlling loan notes stock of £1,747,000 has been issued and is repayable at par on 31 December 2015. Interest is accrued at 15% amounting to £203,000 redeemable on 31 December 2015.

23. Parent undertaking

As at 31 December 2011, the Group's parent company is RB Investments 1 Limited, a nominee company, which holds the beneficial ownership of the Group for the RBS Special Opportunities Fund. RB Investments 1 Limited's, ultimate parent is The Royal Bank of Scotland Group plc. RB Investments 1 Limited is incorporated in Great Britain and registered in England and Wales. The Royal Bank of Scotland Group plc is incorporated in Great Britain and registered in Scotland.

Arrow Global Guernsey Holdings Limited is the Parent Company and controlling party of the Group and represents the largest Group into which the accounts of the Group are consolidated for the year ended 31 December 2011. In the opinion of the directors the ultimate holding company of the Group is Arrow Global Guernsey Holdings Limited.

24. Contingent liabilities

A tax liability may exist with regard to the purchase of certain portfolios by Strzala Sp Z.o.o prior to the acquisition of the Company by the Group. However, the Directors followed normal practice and the legal advice received at the time. If a liability does exist in relation to the purchase of portfolios prior to the acquisition by the new owners, then the costs should be covered by the sale and purchase agreement.

In addition, there is a lack of specific guidance from the tax authorities, rulings or case law to base the calculation of any potential liability and the Directors consider it would be misleading to accrue any particular amount given the current circumstances. The maximum potential gross liability to the Group is £2,302,000 although the Directors consider that this is remote.

25. Deferred consideration

Payable to individual minority shareholder

Provision is made for contingent deferred consideration which is payable in 2011 and 2012 and is based on the financial performance of certain portfolios in individual calendar years. This is payable to individual minority shareholders of the Group. The total minimum undiscounted amount payable is £1,065,000 (2010: £2,464,000). Estimates of future performance have been made and the liability discounted to reflect the expected payment.

Year ended 31 December 2011:

	Payable to individual non-controlling shareholders £000	Total £000
Opening provision as at 1 January 2011	2,464	2,464
Payment during the year	(1,440)	(1,440)
Adjustment to carrying value	41	41
Closing provision as at 31 December 2011	**1,065**	**1,065**

As at 31 December 2011:

	Payable to individual non-controlling shareholders £000	Total £000
Included in current liabilities	1,065	1,065
Included in non-current liabilities	—	—
Closing provision as at 31 December 2011	**1,065**	**1,065**

Year ended 31 December 2010:

	Payable to individual non-controlling shareholders £000	Payable to vendor £000	Total £000
Opening provision as at 1 January 2010	4,174	1,645	5,819
Payment during the year	(1,882)	(1,645)	(3,527)
Adjustment to carrying value	172	—	172
Closing provision as at 31 December 2010	**2,464**	**—**	**2,464**

As at 31 December 2010:

	Payable to individual non-controlling shareholders £000	Total £000
Included in current liabilities	1,440	1,440
Included in non-current liabilities	1,024	1,024
Closing provision as at 31 December 2010	**2,464**	**2,464**

Independent Auditor's Report to the Members of Arrow Global Guernsey Holdings Limited

We have audited the financial statements of Arrow Global Guernsey Holdings Limited for the year ended 31 December 2010 which comprise the Group Consolidated Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Statement of Cash Flow and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Director's Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants
St Peter Port
Guernsey

6 June 2011

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2010

	Notes	Group Year Ended 31 December 2010 £000	Group Period 8 October 2008 to 31 December 2009 £000
Continuing operations			
Revenue			
Income from purchased loan portfolios	13	17,962	14,225
Portfolio write up	5,13	5	1,448
Profit on portfolio and loan note sales		1,632	204
		19,599	15,877
Interest income from secured loan notes	13	437	855
Interest income	6	4	42
Other income		—	158
Total revenue		**20,040**	**16,932**
Operating expenses			
Collection activity costs		(6,902)	(6,537)
Professional fees and services		(1,261)	(757)
Other expenses	9	(6,004)	(4,706)
Total operating expenses		**(14,167)**	**(12,000)**
Operating profit		**5,873**	**4,932**
Profit recognised on acquisition of subsidiary		—	3,188
Operating profit after profit recognised on acquisition of subsidiary		**5,873**	**8,120**
Shareholder interest expense	7	(7,761)	(6,340)
Interest expense	7	(121)	(94)
(Loss)/profit before tax		**(2,009)**	**1,686**
Taxation charge on ordinary activities	10	(45)	—
(Loss)/profit for the period from continuing operations		**(2,054)**	**1,686**
Discontinued operations			
Loss for the period from discontinued operations		—	(379)
(Loss)/profit for the period attributable to equity shareholders		**(2,054)**	**1,307**
Foreign exchange translation difference arising on revaluation of foreign operations		(10)	(158)
Total comprehensive (loss)/income for the period attributable to equity shareholders		**(2,064)**	**1,149**

The notes on pages F-43 to F-63 form part of these financial statements.

Arrow Global Guernsey Holdings Limited
Year Ended 31 December 2010

Consolidated and Parent Company Balance Sheet as at 31 December 2010

	Notes	Group 31 December 2010 £000	Company 31 December 2010 £000	Group 31 December 2009 £000	Company 31 December 2009 £000
Assets					
Non-current assets					
Goodwill	11	1,968	—	1,968	—
Property, plant & equipment	12	628	—	607	—
Purchased loan portfolios	13	48,280	—	32,402	—
Secured loan notes	13	255	—	1,025	—
Due from related parties	19	—	23,735	—	22,708
Investment in subsidiary undertakings	20	—	14,584	—	14,584
Total non-current assets		**51,131**	**38,319**	**36,002**	**37,292**
Current assets					
Cash and cash equivalents		4,681	1,882	13,038	3,541
Other receivables	14	1,415	4	1,696	—
Purchased loan portfolios	13	14,155	—	8,109	—
Secured loan notes	13	161	—	520	—
Due from related parties	19	—	20,959	—	10,750
Current tax asset		—	—	423	—
Total current assets		**20,412**	**22,845**	**23,786**	**14,291**
Total assets		**71,543**	**61,164**	**59,788**	**51,583**
Equity					
Share capital	17	10	10	10	10
Share premium	17	6	6	6	6
Retained (deficit)/earnings		(747)	(13,752)	1,307	(6,690)
Translation reserve		(168)	—	(158)	—
Total equity attributable to shareholders		**(899)**	**(13,736)**	**1,165**	**(6,674)**
Liabilities					
Non-current liabilities					
Minority interest loan		523	523	—	—
Deferred consideration	24	1,024	—	2,292	—
Shareholders loan	16	55,725	55,725	47,964	47,964
Total non-current liabilities		**57,272**	**56,248**	**50,256**	**47,964**
Current liabilities					
Trade and other payables	15	6,311	1,957	2,751	55
Derivative liability	21	373	373	693	693
Deferred consideration	24	1,440	—	3,526	—
Current tax liability		19	—	1,397	—
Bank loan		7,027	7,027	—	—
Due to related parties	19	—	9,295	—	9,545
Total current liabilities		**15,170**	**18,652**	**8,367**	**10,293**
Total liabilities		**72,442**	**74,900**	**58,623**	**58,257**
Total equity and liabilities		**71,543**	**61,164**	**59,788**	**51,583**

The notes on pages F-43 to F-63 form part of these financial statements.

Approved by the Board of Directors on 6/6/2011, signed and authorised for issue on its behalf by:

Director Wayne Bulpitt ....

Guernsey Registered No. 49541

Consolidated and Parent Company Statement of Changes in Equity for the Year Ended 31 December 2010

Group	A Ordinary shares £000	B Ordinary shares £000	Share premium £000	Retained earnings £000	Translation reserve £000	Total £000
Balance at 8 October 2008	**—**	**—**	**—**	**—**	**—**	**—**
Profit for the period	—	—	—	1,307	—	1,307
Share issue	9	1	6	—	—	16
Exchange differences	—	—	—	—	(158)	(158)
Balance at 31 December 2009	**9**	**1**	**6**	**1,307**	**(158)**	**1,165**
Loss for the year	—	—	—	(2,054)	—	(2,054)
Exchange differences	—	—	—	—	(10)	(10)
Balance at 31 December 2010	**9**	**1**	**6**	**(747)**	**(168)**	**(899)**

Company	A Ordinary shares £000	B Ordinary shares £000	Share premium £000	Retained earnings £000	Total £000
Balance at 8 October 2008	**—**	**—**	**—**	**—**	**—**
Loss for the period	—	—	—	(6,690)	(6,690)
Share issue	9	1	6	—	16
Balance at 31 December 2009	**9**	**1**	**6**	**(6,690)**	**(6,674)**
Loss for the period	—	—	—	(7,062)	(7,062)
Balance at 31 December 2010	**9**	**1**	**6**	**(13,752)**	**(13,376)**

The notes on pages F-43 to F-63 form part of these financial statements.

Consolidated and Parent Company Statement of Cash Flow for the Year Ended 31 December 2010

	Notes	Group Year Ended 31 December 2010 £000	Group Period 8 October to 31 December 2009 £000
Cash flows from operating activities			
Profit before tax		(2,009)	1,307
Adjustments			
Non-cash movements:			
Portfolio write up	13	(5)	(1,448)
Yield income on purchased loan portfolios	13	(17,962)	(14,662)
Decrease in income tax asset		—	334
Profit recognised on the acquisition of subsidiaries		—	(3,639)
Depreciation of property, plant and equipment	12	244	95
Decrease/(increase) in other receivables		281	(1,520)
Increase in interest payable on shareholders loans		7,761	6,339
Interest payable on bank and minority interest loans		89	—
Increase/(decrease) in deferred consideration		173	(388)
Foreign exchange on portfolios		90	—
Profit on disposal of purchased loan portfolios		(1,461)	—
Amortisation of legal acquisition fees on portfolios		59	—
Non cash movements on secured loan notes	13	(730)	(564)
Deferred consideration on purchased loan portfolios		(643)	
Increase in tax liability		—	1,397
Derivative (profit)/loss expensed	21	(320)	693
Increase/(decrease) in trade and other payables	15	3,560	(4)
Operating cash flows before cash movements		**(10,873)**	**(12,060)**
Payment of deferred consideration		(3,527)	—
Collections in the period	13	25,646	22,498
Cash from secured loan notes from third party	13	1,859	1,469
Proceeds from disposal of purchased loan portfolios		1,965	—
Cash generated by operations		**15,070**	**11,907**
Income taxes and overseas taxation		(1,001)	—
Net cash flow from operating activities		**14,069**	**11,907**
Cash flows from investing activities			
Investments in subsidiaries		—	(36,260)
Purchase of property, plant and equipment	12	(265)	(659)
Purchases of purchased loan portfolios	13	(29,613)	(5,768)
Net cash flow from investing activities		**(29,878)**	**(42,687)**
Cash flows from financing activities			
Proceeds from additional loans		7,462	41,625
Proceeds from additional share issue		—	16
Net cash flow from financing activities		**7,462**	**41,641**
Net increase in cash and cash equivalents		**(8,347)**	**10,861**
Cash and cash equivalents at beginning of year/period		**13,038**	**—**
Cash purchased through acquisition		—	2,335
Effect of exchange rates on cash and cash equivalents		(10)	(158)
Cash and cash equivalents at end of year/period		**4,681**	**13,038**

The notes on pages F-43 to F-63 form part of these financial statements.

1. General information

At 31 December 2010, Arrow Global Guernsey Holdings Limited was the Ultimate Parent Company of the Group. The Company's subsidiaries (collectively the ''Group'') are Batchblock Limited (100% Company), Arrow Global Guernsey Limited (100% Company), Arrow Global (Holdings) Limited (100% Batchblock Limited), Arrow Global Limited (100% Arrow Global (Holdings) Limited), Arrow Global Receivables Management Limited (100% Arrow Global (Holdings) Limited), Arrow Global Portugal Limited (100% Arrow Global (Holdings) Limited), Arrow Global SPV Limited (100% Arrow Global (Holdings) Limited), Strzala Sp. z o.o. (99% Arrow Global (Holdings) Limited, 1% Arrow Global Limited), Arrow Global Debt Limited (100% Company), Arrow Global Debt No. 1 Limited (100% Arrow Global Debt Limited), Arrow Global Debt No. 2 Limited (100% Arrow Global Debt Limited), Arrow Global Debt No. 3 Limited (100% Arrow Global Debt Limited) and Arrow Global Debt No. 4 Limited (100% Arrow Global Debt Limited).

Through its subsidiary companies, the Group acquires certain pools of semi-performing and/or charged-off consumer loans pursuant to the terms of each specific purchase agreement. The Group enters into contractual servicing agreements with other third parties to collect the receivables, to administer and disburse the proceeds of the receivables, and to take other actions as may be necessary to fully effectuate the terms of the articles of association.

2. Adoption of new and revised standards

The following standards have been adopted by the European Union, and will be effective for the periods identified below.

Standard/Interpretation	Subject	Period effective
IAS 24 (amended)	Related Party Disclosures	31 December 2011
IAS 32 (amended)	Classification of Rights Issues	31 December 2011
IFRIC 14 (amended)	Prepayments of a Minimum Funding Requirement	31 December 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	31 December 2011
IFRS 9	Financial Instruments	31 December 2013

The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 January 2013 will impact both the measurement and disclosures of Financial Instruments. The impact is not quantifiable at 31 December 2010.

The directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with EU IAS Regulation.

The Financial Statements of the Group and the Company have been prepared under the historical cost convention other than the fair value of derivative contracts.

Going concern

The financial statements have been prepared under the going concern basis, which the Directors believe to be appropriate. The Directors are satisfied that the Group has adequate resources to continue to trade for the foreseeable future and the going concern basis continues to be appropriate for preparing the

3. Significant accounting policies (continued)

financial statements. In making this assessment, detailed trading forecasts have been prepared which support the going concern assumptions in being applied. The decline in the economic climate has seen increased amounts of charged-off, unsecured debt being placed into the marketplace by large financial institutions and this trend looks set to continue for the foreseeable future. This presents an opportunity for the Group to acquire portfolios of debt during this time for purchase considerations significantly lower than the debt's face value.

The Group completed a substantial transaction for the acquisition of underperforming consumer credit accounts after the balance sheet date, funded by shareholder loans (see note 25).

The Company did not generate any cash, revenue or profit of its own as its activities remain that of a holding Company. The principal liabilities of the Group relate to the shareholder loan of £55,725,000 which is not repayable until 2015. The shareholder of the Company owns 100% of the assets and liabilities of the Group and manages its exposure at a Group level, not at a Company level.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the

3. Significant accounting policies (continued)

combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

In accordance with IAS 39, paragraph 9, the Company recognises revenue from purchased loan portfolios using the effective interest method. The effective interest method is a method of calculating the amortised cost of a purchased loan portfolio and of allocating interest income over the expected life of the portfolio. The effective interest rate is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. Estimates of cash flows that determine the effective interest rate are established for each purchased portfolio and are based on the Company's collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, and type of receivable, customer payment histories, customer location and time since original charge-off.

When a portfolio is purchased, the Company estimates monthly future cash flows for each portfolio and calculates the effective interest rate for the portfolios expected economic life. When an individual portfolio's carrying value is completely recovered, the Company recognises any subsequent collections as income.

The portfolio asset is analysed between current and non-current in the Balance Sheet. The current asset is determined using the expected cash flows arising in the next twelve months after the balance sheet date. The residual amount is classified as non-current.

Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. An enhancement to the model has been implemented in the year.

Interest income from secured loan notes

The Group has entered into lending arrangements with third parties to provide capital to purchase non-performing consumer debt portfolios (see note 13). Interest income is recognised throughout the year.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The Group has, for the period covered by these financial statements, only made contributions to defined contribution plans to provide pension benefits for employees upon retirement and, otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

3. Significant accounting policies (continued)

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in pounds sterling, which are the functional currency of the Company and the presentation currency for the Consolidated Financial Statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the Consolidated Statement of Changes in Equity.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit/ (loss) for the period. Taxable profit/(loss) differs from profit/(loss) as reported in the Consolidated Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Group has not recognised a deferred tax asset in the period in respect of losses carried forward (see note 10).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group

3. Significant accounting policies (continued)

expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method on the following bases:

Furniture	5 years
Computer equipment and software	3 years
Leasehold improvements	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Statement of Comprehensive Income.

Financial assets

The Group's purchased loan portfolios and secured loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Under IAS 39, such assets are classified as 'loans and receivables' and are measured at amortized cost using the effective interest method less any impairment.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Investment in subsidiaries

Fixed asset investment is stated at cost less any provision for impairment.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capitalisation of legal disbursement collection costs

There has been a change in the Group policy with regards to the capitalisation of legal disbursement collection costs. Legal disbursement collection costs which have previously been expensed are now capitalised within prepayments and amortised in line with their recovery. The impact of the change in policy is not considered material to warrant an adjustment to the prior year.

Capitalisation of legal transaction fees

There has been a change in the Group policy with regards to the capitalisation of legal transaction fees. Legal transaction fees which have previously been expensed are now allocated to the purchase price of the portfolio with the effective interest rate applied against the asset value. The impact of the change in policy is not considered material to warrant an adjustment to prior year.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

The Group makes estimates of the anticipated future return on its purchased loan portfolios when calculating the revenue from the portfolios acquired in the year. In determining the anticipated future return on its portfolios, the Company prepares cash flow projections to calculate an effective interest rate to generate the yield income. Actual cash flows will vary from projected cash flows.

Periodic impairment reviews are performed to assess the accuracy of the original cash flow projections by estimating future cash collections based on a probability of payment on the remaining asset book. The net present value of the forecast cash collections using the initially determined effective interest rate is assessed against the carrying value of the asset with any adjustment taken to the income statement.

5. (Loss)/profit for the year/period

	Year ended 31 December 2010 £000	Period 8 October 2008 to 31 December 2009 £000
(Loss)/profit for the year/period has been arrived at after charging/(crediting):		
Net foreign exchange (gains)/losses	(42)	891
Portfolio write up	(5)	(1,448)
Profit recognised on acquisition of subsidiary before expenses	—	(3,639)
Depreciation of property, plant and equipment	244	95

6. Interest income

	Year ended 31 December 2010 £000	Period 8 October 2008 to 31 December 2009 £000
Bank interest	4	42

7. Interest expense

	Year ended 31 December 2010 £000	Period 8 October 2008 to 31 December 2009 £000
Interest on minority interest loans	63	—
Interest on deferred consideration	58	94
Interest on shareholders loans	7,761	6,340
	7,882	6,434

8. Auditor remuneration

	Year ended 31 December 2010 £000	Period 8 October 2008 to 31 December 2009 £000
The analysis of auditor remuneration is as follows:		
Fees payable for audit services	84	97
Fees payable for tax compliance and advisory services	72	122
	156	219

9. Staff costs and other operating expenses

	Year ended 31 December 2010 £000	Period 8 October 2008 to 31 December 2009 £000
Wages, bonuses and salaries	2,803	2,029
Payments for termination of employment of key management	125	—
Payments for termination of employment of employees	103	65
Pension costs	78	73
Social security costs	244	251
	3,353	2,353

The average monthly number of employees (including executive Directors) was 52 (2009: 32). The total Director's remuneration paid during the period was £673,000 (2009: £717,726). The remuneration of the highest paid Director during the year was £250,000 (2009: £363,726). Other operating expenses are as follows:

	Year ended 31 December 2010 £000	Period 8 October 2008 to 31 December 2009 £000
Employee	3,353	2,353
Other staff costs	523	394
Premises	604	485
IT	539	497
Other	985	977
	6,004	4,706

10. Tax

The Group's entities incorporated in Guernsey are currently not subject to corporation taxes. Corporation tax is payable in respect of the Group's entities in the UK and Poland, of which the UK's activities are more predominant. The analysis below therefore uses the UK rate of corporation tax.

10. Tax (continued)

The effective tax rate for the period ended 31 December 2010 is lower than the standard rate of corporation tax in the UK at 28% (2009: 28%), the differences are as follows:

	Year ended 31 December 2010 £000	Period 8 October 2008 to 31 December 2009 £000
Loss before tax	(2,009)	(1,868)
Tax credit at standard UK corporation tax rate of 28%	(563)	(523)
Adjustment in respect of prior years	—	(624)
Current years loss utilisation	(1,206)	615
Expenses not deductible for tax purposes	76	37
Capital allowances in excess of depreciation	6	(22)
Short term timing differences	119	—
Differing overseas tax rates.	1,613	(108)
Tax charge	45	625
Tax charge relating to continuing operations	45	—
Tax charge relating to discontinued operations	—	625
Effective tax rate relating to continuing operations	(2.2%)	0%

	Year ended 31 December 2010 £000	Period 8 October 2008 to 31 December 2009 £000
Tax charge for the year ended 31 December 2010 consists of:		
Current tax charge:		
UK and foreign corporation tax at 28% based on profit for the period	45	625
Total current tax charge	**45**	**625**
Deferred tax credit:		
Origination and reversal of temporary differences	—	—
Total deferred tax credit	—	—
Total tax charge	**45**	**625**

The Group has not recognised a deferred tax asset in respect of £4,923,000 (2009: £8,830,000) of tax losses carried forward, accelerated capital allowances, pensions and PIK note interest. The losses are available for offset against future profits and have no expiry date.

11. Goodwill

	Total £000
Cost	
At 8 October 2008	—
Recognised on acquisition of subsidiary	1,968
At 31 December 2009 and 31 December 2010	**1,968**
Accumulated impairment losses	
At 8 October 2008 and 31 December 2009	—
Charge for the period/year	—
At 31 December 2010	**—**
Carrying amount	
At 31 December 2010	**1,968**
At 31 December 2009	**1,968**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The Group has considered the cash generating unit (''CGU'') that supports the purchased goodwill, and the recoverable amount of this CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and forecast cash flows during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The rate used to discount the forecast cash flows from this CGU is 10% (2009: 10%). At the beginning and end of the financial period the fair value of goodwill was substantially in excess of its book value and therefore management deem it reasonable not to impair the carrying amount of goodwill.''

12. Property, plant and equipment

	Computer equipment £000	Furniture £000	Leasehold Improvement £000	Software £000	Total £000
Cost					
At 8 October 2008	—	—	—	—	—
Transfers	44	3	—	1	48
Additions	110	22	292	230	654
At 1 January 2010	**154**	**25**	**292**	**231**	**702**
Additions	78	91	39	57	265
At 31 December 2010	**232**	**116**	**331**	**288**	**967**
Accumulated depreciation					
At 8 October 2008	—	—	—	—	—
Transfers	12	—	—	1	13
Charge for the period	21	2	12	47	82
At 1 January 2010	**33**	**2**	**12**	**48**	**95**
Charge for the year	64	21	75	84	244
At 31 December 2010	**97**	**23**	**87**	**132**	**339**
Carrying amount					
At 31 December 2010	**135**	**93**	**244**	**156**	**628**
At 31 December 2009	**121**	**23**	**280**	**183**	**607**

13. Financial assets

For the year ended 31 December 2010:

	Current £000	Non-current £000	Total £000
Purchased loan portfolios	14,232	48,198	62,430
Portfolio (impairment)/write up	(77)	82	5
	14,155	48,280	62,435
Secured loan notes	161	255	416
	14,316	**48,535**	**62,851**

For the period ended 31 December 2009:

	Current £000	Non-current £000	Total £000
Purchased loan portfolios	7,662	31,401	39,063
Portfolio write up	447	1,001	1,448
	8,109	32,402	40,511
Secured loan notes	520	1,025	1,545
	8,629	**33,427**	**42,056**

Secured loan notes

At 31 December 2010, secured loan notes of £416,000 (2009: £1,545,000) existed with third parties to provide capital to purchase under-performing consumer debt portfolios. The secured loan notes comprise of secured senior and secured mezzanine notes which carry interest at rates based on the London Interbank Offered Rate (''LIBOR'') or the Euro Interbank Offered Rate (''EURIBOR'') are repayable in monthly instalments and mature between 22 May 2016 and 12 December 2017. The secured loan notes are secured by the loans within the acquired consumer debt portfolios. Interest and loan write up income during the year ended 31 December 2010 was £437,000 (2009: £855,000). Cash collected in the year relating to loan notes was £1,859,000 (2009: £1,469,000).

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 December 2010, the carrying amount of the purchased loan portfolio asset was £62,435,000 (2009: £40,511,000).

13. Financial assets (continued)

The movements in purchased loan portfolio assets were as follows:

	2010 £000	2009 £000
As at the beginning of the year/period	40,511	—
Portfolios acquired upon acquisition of Arrow Global (Holdings) Limited and its subsidiaries	—	14,621
Portfolios acquired during the year Arrow Global Guernsey Limited	30,256	32,328
Collections in the year/period	(25,646)	(22,498)
Income from purchased loan portfolios	17,962	14,225
Income from purchased loan portfolios on discontinued operations	—	437
Exchange loss on purchased loan portfolios	(90)	(50)
Amortisation of legal acquisition fees on portfolios	(59)	—
Disposal of purchased loan portfolios	(504)	—
Portfolio write up	5	1,448
As at 31 December	**62,435**	**40,511**

The Directors consider that the carrying amount of purchased loan portfolios approximates to their fair value.

14. Other receivables and prepayments

	31 December 2010 £000	31 December 2009 £000
Prepayments	1,152	75
Other debtors	235	1,563
Deposits	28	58
	1,415	1,696

The Directors consider that the carrying amounts approximate to their fair value.

15. Trade and other payables

	31 December 2010 £000	31 December 2009 £000
Trade payables	1,716	1,082
Taxation and social security	13	209
Other liabilities and accruals	4,582	1,460
	6,311	2,751

The Directors consider that the carrying amounts approximate to their fair value.

16. Shareholder's loans

The Company has a nominal amount of £42,000,000 of £1 loan stock accruing interest at 15% per annum in issue. The loan stock and accrued interest are repayable at the earliest of the sale of the business or 31 December 2015.

As at 31 December 2010, there was £41,625,000 of loan stock in issue and accruing interest as follows:

	31 December 2010 £000	31 December 2009 £000
Loan received from shareholders	41,625	41,625
Interest accruing at 15% per annum	14,099	6,339
	55,725	47,964

The Directors consider that the carrying amounts approximate to their fair value.

17. Share capital

The share capital of the Company is unlimited. For the period from incorporation the Company issued 10,002 Ordinary shares for a total consideration of £16,366 giving rise to a share premium of £6,364 and:

	31 December 2010 £	31 December 2009 £
Issued and fully paid:		
'A' Ordinary Shares of £1 each	9,002	9,002
'B' Ordinary Shares of £1 each	1,000	1,000

The Company's ordinary shares carry no right to fixed income. Each 'A' ordinary share shall rank equally for any dividends paid thereon which shall be paid pro rata to the issue price of each 'A' ordinary share. A dividend may be paid on the 'B' ordinary share at the direction of the board subject to the prior written consent of the majority of 'A' ordinary shareholders having been obtained. Each 'B' ordinary share shall rank equally for any dividends paid thereon which shall be paid pro rata to the issue price of each 'B' ordinary share. Every holder of A ordinary share who is present in person or by proxy shall have one vote for every share.

18. Lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2010 £000	31 December 2009 £000
Less than 1 year	235	41
1-2 years	235	235
2-5 years	362	596
	832	872

Operating lease payments represent rentals payable by the Group for certain of its office properties.

19. Related party transactions

Group

As at 31 December 2010:

	RBS Investments 1 £000	Deferred consideration £000	Minority interest loan £000	Total £000
Minority interest loan	—	—	(523)	(523)
Shareholders loans	(55,725)	—	—	(55,725)
Amounts due to related parties	—	(2,464)	—	(2,464)
	(55,725)	(2,464)	(523)	(58,712)

As at 31 December 2009:

	RBS Investments 1 £000	Deferred consideration £000	Total £000
Shareholders loans	(47,964)	—	(47,964)
Amounts due to related parties	—	(4,174)	(4,174)
	(47,964)	(4,174)	(52,138)

The minority interest loan constitutes secured loan notes issued to individual minority shareholders. The loan notes accrue interest under the same terms of the shareholder loan and are not repayable until 2015. Accrued interest during the year amounted to £61,000 (2009: £nil).

Transactions with Directors and key managers

There were no material related transactions with Directors or key managers during the accounting period other than Director's emoluments.

Company

As at 31 December 2010:

	RBS Investments 1 £000	Arrow Global Guernsey Limited £000	Batchblock Limited £000	Arrow Global Limited £000	Total £000
Shareholders loans	(55,725)	—	—	—	(55,725)
Amounts owed by related parties	—	—	2,000	18,959	20,959
Amounts due to related parties	—	(9,295)	—	—	(9,295)
Related party PIK Notes	—	14,405	9,330	—	23,735
	(55,725)	5,110	11,330	18,959	(20,326)

19. Related party transactions (continued)

As at 31 December 2009:

	RBS Investments 1 £000	Arrow Global Guernsey Limited £000	Batchblock Limited £000	Arrow Global Limited £000	Total £000
Shareholders loans	(47,964)	—	—	—	(47,964)
Amounts owed by related parties	—	—	2,000	8,750	10,750
Amounts due to related parties	—	(9,545)	—		(9,545)
Related party PIK Notes	—	13,781	8,927	—	22,708
	(47,964)	4,236	10,927	8,750	(24,051)

The amount owed to RBS Investments 1 is in respect of a loan note issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £41,625,000 with interest accruing at 15% per annum amounting to £14,099,000 (2009: £6,339,000).

The amount owed to Arrow Global Guernsey Limited is in respect of an intercompany loan. The amount due from Arrow Global Guernsey Limited is in respect of a loan note issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £13,200,000 with interest accruing at 6 month LIBOR plus 3.5% amounting to £624,000 (2009: £581,000).

The amount due from Batchblock Limited is in respect of a loan note issued to Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £8,550,000 with interest accruing at 6 month LIBOR plus 3.5% amounting to £403,000 (2009: £377,000).

No other transactions occurred between the related parties, excluding those disclosed above.

20. Investments in subsidiary undertakings

Details of the Company's subsidiaries at 31 December 2010 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Parent Company
Arrow Global Guernsey Limited	Guernsey	100	AGGHL
Batchblock Limited (BBL)	United Kingdom	100	AGGHL
Arrow Global (Holdings) Limited (AG(H)L)	United Kingdom	100	BBL
Arrow Global Limited (AGL)	United Kingdom	100	AG(H)L
Arrow Global Receivables Management Limited	United Kingdom	100	AG(H)L
Arrow Global SPV Limited	United Kingdom	100	AG(H)L
Arrow Global Portugal Limited (AGPL)	United Kingdom	100	AG(H)L
Strzala Sp. z o.o.	Poland	100	AG(H)L/AGL
Arrow Global Debt Limited	Guernsey	100	AGGHL
Arrow Global Debt No. 1 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 2 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 3 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 4 Limited	Guernsey	100	AGDL

	Batchblock Limited £000	Arrow Global Guernsey Limited £000	Total £000
At 1 January 2010 and 31 December 2010	5,784	8,800	14,584

The investments in subsidiaries are all stated at cost.

21. Financial Instruments

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day to day working capital is funded by its cash and cash equivalents. The key risks identified for the Group are discussed below.

The Group has exposure to credit risk, market risk and liquidity risk that arises throughout the normal course of the Group's business.

Fair values

The Directors consider that there are no material differences between the asset values in the Consolidated Balance Sheet and their fair value.

Credit risk

Credit risk is considered upon the acquisition of a portfolio and loan notes by assessing the expected return. The Group manages this risk by monitoring the performance of the loan notes and portfolio throughout its economic life. Cash collections made on a loan notes and portfolio are continually monitored and the carrying value of the asset is impaired where it is deemed that the asset is underperforming.

The maximum credit risk exposure in relation to the financial assets is disclosed below:

Consolidated Balance Sheet

	31 December 2010 £000	31 December 2009 £000
Purchased loan portfolio	62,435	40,511
Cash and cash equivalents	4,681	13,038
Secured loan notes	416	1,545
	67,532	**55,094**

The Group's principal activity is the acquisition and management of underperforming portfolios of loans. All purchased portfolios are, by their nature, significantly past due and impaired upon acquisition. No additional collateral is held in respect of the portfolios. The Group performs impairment reviews periodically.

All purchased loan portfolios are disclosed at amortised cost. Impairment is assessed on a regular basis by management and is identified on a portfolio basis following evidence that the financial asset is impaired. All secured loan notes are disclosed at amortised cost. Impairment is assessed on a regular basis by management and is identified on a loan basis following evidence that the financial asset is impaired.

Liquidity risk

The Group actively monitors its liquidity and cash flow position to ensure it has sufficient cash and purchased loan portfolio financing in order to fund its activities. The management team monitor cash through daily reporting, the management accounts and periodic review meeting. The undiscounted

21. Financial Instruments (continued)

contractual cash flows that will be required to settle liabilities that exist at the balance sheet date are as follows:

As at 31 December 2010:

	within 1 year £000	1 to 2 years £000	above 2 years £000	Total £000
Amounts owed to:				
Non-interest bearing				
Trade and other payables	6,311	—	—	6,311
Deferred consideration	1,440	1,024	—	2,464
Interest bearing				
Minority interest loan	—	—	702	702
Bank loan	7,199	—	—	7,199
Shareholder loan note	—	—	75,216	75,216
Total	**14,950**	**1,024**	**75,918**	**91,892**

As at 31 December 2009:

	within 1 year £000	1 to 2 years £000	above 2 years £000	Total £000
Amounts owed to:				
Non-interest bearing				
Trade and other payables	3,444	—	—	3,444
Deferred consideration	1,881	2,292	—	4,173
Interest bearing				
Shareholder loan note	—	—	64,714	64,714
Deferred consideration payable to previous parent	1,645	—	—	1,645
Total	**6,970**	**2,292**	**64,714**	**73,976**

Market risk

Market risk is the risk that there is a decreased availability of distressed debt which consequently increases the market price at which portfolios can be acquired. In the event of the economy experiencing growth, there is the risk that debtors will have an increased ability to meet their obligations and repay an increased amount of debts originally undertaken. Current market conditions suggest this does not represent a significant risk for the foreseeable future. Furthermore, an improvement in macroeconomic conditions will result in an increased likelihood of previously distressed debt being recovered.

Interest rate risk

The Group is exposed to interest rate risk during the period on the purchased loan portfolio financing, related party loans, PIK loan note financing and cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment.

Interest rate sensitivity analysis

If interest base rates had been 0.5 per cent higher/lower and all other variables were held constant, the Groups' loss for the year ended 31 December 2010 would decrease/increase by £23,000 (2009: £56,000). This is attributable to the Group's exposure to interest on its cash and cash equivalents;

21. Financial Instruments (continued)

If LIBOR rates had been 0.25 per cent higher/lower and all other variables were held constant, the Group's loss for the period ended 31 December 2010 would decrease/increase by £18,000 (2009: £nil). This is attributable to the Group's exposure to interest on its secured loan notes.

Foreign currency risk

The Group is exposed to foreign exchange currency risk on purchased loan portfolios, secured loan notes, cash and cash equivalents and its transactions with other related parties. The risk of this exposure is reduced using forward foreign exchange contracts.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10 per cent higher than those at the balance sheet date and all other variables were held constant, the Group's net assets for each denomination of currency would increase/(decrease) as follows:

Currency	31 December 2010 £000	31 December 2009 £000
Euro (EUR)	(534)	(219)
US Dollar (USD)	(19)	(25)
Polish Zloty (PLN)	(36)	(197)
	(589)	(441)

If foreign exchange rates had been 10 per cent lower than those at the balance sheet date and all other variables were held constant, the Group's net assets for each denomination of currency would increase/(decrease) as follows:

Currency	31 December 2010 £000	31 December 2009 £000
Euro (EUR)	653	268
US Dollar (USD)	23	30
Polish Zloty (PLN)	44	240
	720	538

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity.

The Group is not subject to any externally imposed capital requirements.

21. Financial Instruments (continued)

The management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at the 31 December 2010 was:

	31 December 2010 £000	31 December 2009 £000
Cash and cash equivalents	4,681	13,038
Ordinary shares	16	16
Shareholder loan notes (15% interest)	55,725	47,964

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts.

In the current year, the Group has created certain forward contracts to mitigate its portfolio future cash flows in Poland and Portugal. The collection remittances are received in Polish Zloty and Euro's respectively. The Group has entered into the forward foreign exchange contracts (for terms provided in the table below) to mitigate the exchange rate risk arising from these anticipated future cash flows.

As at 31 December 2010, the aggregate amount of losses under forward foreign exchange contracts that has been expensed in the Consolidated Statement of Comprehensive Income relating to the exposure on these anticipated future transactions is £373,000 (2009: £693,000). It is anticipated that the cash flows will take place over the next three years for Portugal and due to the sale of the Polish portfolios will no longer materialise in Poland.

Outstanding contracts	Average exchange rate	Notional value 2010 £000	Maturity date	Fair value 2010 £000
Cash flow hedges				
Sell Polish Zloty				
European OTC Put GBP/Call PLN	5.73	745	27 Jan 2011	(183)
European OTC Put GBP/Call PLN	5.73	596	27 Jan 2012	(129)
Loss				(312)
Cash flow hedges				
Sell Euro				
European OTC Put GBP/Call EUR	1.1671	434	27 Jan 2011	10
European OTC Put GBP/Call EUR	1.1671	4,062	15 Dec 2011	(82)
European OTC Put GBP/Call EUR	1.1671	434	27 Jan 2012	7
European OTC Put GBP/Call EUR	1.1671	434	29 Jan 2013	2
European OTC Put GBP/Call EUR	1.1671	347	29 Jan 2014	2
Loss				(61)
Total loss expensed to Consolidated Statement of Comprehensive Income				**(373)**

Fair value hierarchy

Derivative financial instruments are initially recognised, and subsequently measured, at fair value. Level 1 fair value measurements are those where the value has been derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those

21. Financial Instruments (continued)

derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Of the above derivative contracts, the fair value of £373,000 (2009: £693,000) has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

Foreign exchange exposure

Arrow Global Guernsey Holdings Limited manages its foreign exchange exposure that arises primarily from its Polish and Portugal portfolio income and is denominated in Polish Zloty (PLN) and the Euro. The Polish subsidiary and its portfolios were purchased as part of the acquisition of Arrow Global (Holdings) Limited and were subsequently sold on the 30 December 2009, however there are some remaining forward contracts. The Company has some assets denominated in the same currencies as the foreign portfolio income, which should mitigate some of the foreign currency exchange rate risk on these operations.

The following table sets out the foreign exchange exposure of the financial assets and liabilities of the Polish business:

	Year ended 31 December 2010 £000	Period ended 31 December 2009 £000
Current assets		
Cash and cash equivalents	48	2,359
Other debtors and tax assets	2,248	1,519
Current liabilities		
Trade and other payables	11	1,521

22. Parent undertaking

As at 31 December 2010, the Group's parent company is RB Investments 1 Limited, a nominee company, which holds the beneficial ownership of the Group for the RBS Special Opportunities Fund. RB Investments 1 Limited's, ultimate parent is The Royal Bank of Scotland Group plc. RB Investments 1 Limited is incorporate in Great Britain and registered in England and Wales. The Royal Bank of Scotland Group plc is incorporated in Great Britain and registered in Scotland.

Arrow Global Guernsey Holdings Limited is the Parent Company of the Group and represents the largest Group into which the accounts of the Group are consolidated for the year ended 31 December 2010. In the opinion of the directors the ultimate holding company of the Group is Arrow Global Guernsey Holdings Limited.

23. Contingent liabilities

A tax liability may exist with regard to the purchase of certain portfolios by Strzala Sp Z.o.o prior to the acquisition of the Company by the Group. However, the Directors followed normal practice and the legal advice received at the time. If a liability does exist in relation to the purchase of portfolios prior to the acquisition by the new owners, then the costs should be covered by the sale and purchase agreement.

In addition, there is a lack of specific guidance from the tax authorities, rulings or case law to base the calculation of any potential liability and the Directors consider it would be misleading to accrue any particular amount given the current circumstances. The maximum potential gross liability to the Group is £2,302,000 although the Directors consider that this is remote.

24. Deferred consideration

Payable to individual minority shareholder

Provision is made for contingent deferred consideration which is payable in 2011 and 2012 and is based on the financial performance of certain portfolios in individual calendar years. This is payable to individual minority shareholders of the Group.

The total minimum undiscounted amount payable is £2,464,000 (2009: £4,174,000). Estimates of future performance have been made and the liability discounted to reflect the expected payment.

Year ended 31 December 2010:

	Payable to individual minority shareholders £000	Payable to vendor £000	Total £000
Opening provision as at 1 January 2010	4,174	1,645	5,819
Payment during the year	(1,882)	(1,645)	(3,527)
Revision of provision	172	—	172
Closing provision as at 31 December 2010	2,464	—	2,464

As at 31 December 2010:

	Payable to individual minority shareholders £000	Total £000
Included in current liabilities	1,440	1,440
Included in non-current liabilities	1,024	1,024
Closing provision as at 31 December 2010	2,464	2,464

As at 31 December 2009:

	Payable to individual minority shareholders £000	Payable to vendor £000	Total £000
Included in current liabilities	1,881	1,645	3,526
Included in non current liabilities	2,293	—	2,293
Closing provision as at 31 December 2009	4,174	1,645	5,819

25. Events after the balance sheet date

On 13 May 2011, the Group paid a consideration of circa £38m to subsidiary companies of an international institutional investor and its partners and affiliates for the purchase of several loan portfolios of consumer credit accounts. The purchases were ultimately financed from the proceeds of shareholder loans.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

We have audited the financial statements (the 'financial statements') of Arrow Global Guernsey Holdings Limited and its subsidiaries ('The Group') for the period 8 October 2008 to 31 December 2009 which comprise Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Balance Sheets, Consolidated and Parent Company Statements of Changes in Equity, Consolidated Cash Flow Statements and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company 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 auditors

The Directors responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards as set out in the Directors' responsibilities statement.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing UK (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and whether the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. We also report to you whether, in our opinion, the Directors report is not consistent with the financial statements, the Company has not kept proper accounting records or if we have not received all information and explanations we require for our audit.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not exceed to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the Group's and Parent Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Reporting Financial Standards, of the state of the Group's and Parent Company's affairs as at 31 December 2009 and the Group's profit for the period 8 October 2008 to 31 December 2009 and have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

Deloitte LLP
Chartered Accountants
Guernsey

5 August 2010

Arrow Global Guernsey Holdings Limited
Period from 8 October 2008 to 31 December 2009

Consolidated Statement of Comprehensive Income for the Period 8 October 2008 to 31 December 2009

	Notes	Group Period 8 October to 31 December 2009 £000
Continuing operations		
Revenue		
Income from purchased loan portfolios	12	14,225
Portfolio write up	5,12	1,448
Profit on sale of portfolios		204
		15,877
Interest income from secured loan notes	12	855
Interest income	6	42
Other income		158
Total revenue		**16,932**
Operating expenses		
Collection activity costs		(6,537)
Professional fees and services		(757)
Other expenses		(4,706)
Total operating expenses		**(12,000)**
Profit recognised on acquisition of subsidiary	22	3,188
Operating profit		**8,120**
Interest expense	7	(6,434)
Profit before tax		**1,686**
Taxation charge on ordinary activities	10	—
Profit for the period from continuing operations		**1,686**
Discontinued operations		
Loss for the period from discontinued operations	23	(379)
Profit for the period attributable to equity shareholders		**1,307**
Foreign exchange translation difference arising on revaluation of foreign operations		(158)
Total comprehensive income for the period attributable to equity shareholders		**1,149**

The notes on pages F-69 to F-91 form part of these financial statements.

Arrow Global Guernsey Holdings Limited
Period from 8 October 2008 to 31 December 2009

Consolidated Balance Sheet
as at 31 December 2009

	Notes	Group 31 December 2009 £000	Company 31 December 2009 £000
Assets			
Non-current assets			
Goodwill	22	1,968	—
Property, plant and equipment	11	607	—
Purchased loan portfolios	12	32,402	—
Secured loan notes	12	1,025	—
Due from related parties	18	—	22,708
Investment in subsidiary undertakings	19	—	14,584
Total non-current assets		**36,002**	**37,292**
Current assets			
Cash and cash equivalents		13,038	3,541
Other receivables	13	1,696	—
Purchased loan portfolios	12	8,109	—
Secured loan notes	12	520	—
Due from related parties	18	—	10,750
Current tax asset		423	—
Total current assets		**23,786**	**14,291**
Total assets		**59,788**	**51,583**
Equity			
Share capital	16	10	10
Share premium		6	6
Retained earnings/(deficit)		1,307	(6,690)
Translation reserve		(158)	—
Total equity attributable to shareholders		**1,165**	**(6,674)**
Liabilities			
Non-current liabilities			
Deferred consideration	25	2,292	—
Shareholders loan	15	47,964	47,964
Total non-current liabilities		**50,256**	**47,964**
Current liabilities			
Trade and other payables	14	2,751	55
Derivative liability	20	693	693
Deferred consideration	25	3,526	—
Current tax liability		1,397	—
Due to related parties	18	—	9,545
Total current liabilities		**8,367**	**10,293**
Total liabilities		**58,623**	**58,257**
Total equity and liabilities		**59,788**	**51,583**

The notes on pages F-69 to F-91 form part of these financial statements.

Approved by the Board of Directors on 5 August 2010, signed and authorised for issue on its behalf by:

Director Wayne Bulpitt

Guernsey Registered No. 49541

Arrow Global Guernsey Holdings Limited
Period from 8 October 2008 to 31 December 2009

Consolidated Statement of Changes in Equity for the Period 8 October 2008 to 31 December 2009

Group	A Ordinary shares £000	B Ordinary shares £000	Share premium £000	Retained earnings £000	Translation reserve £000	Total £000
Balance at 8 October 2008	—	—	—	—	—	—
Profit for the period	—	—	—	1,307	—	1,307
Share issue	9	1	6	—	—	16
Exchange differences	—	—	—	—	(158)	(158)
Balance at 31 December 2009	**9**	**1**	**6**	**1,307**	**(158)**	**1,165**
Company						
Balance at 8 October 2008	**—**	**—**	**—**	**—**	**—**	**—**
Loss for the period	—	—	—	(6,690)	—	(6,690)
Share issue	9	1	6	—	—	16
Balance at 31 December 2009	**9**	**1**	**6**	**(6,690)**	**—**	**(6,674)**

The notes on pages F-69 to F-91 form part of these financial statements.

Arrow Global Guernsey Holdings Limited
Period from 8 October 2008 to 31 December 2009

Consolidated Cash Flow Statement
for the Period 8 October 2008 to 31 December 2009

	Notes	Group Period 8 October to 31 December 2009 £000
Cash flows from operating activities		
Profit for the period attributable to equity shareholders		1,307
Adjustments to reconcile net profit to net cash from operating activities		
Portfolio write up	12	(1,448)
Collections in the period	12	22,498
Yield income on purchased loan portfolios	12	(14,662)
Increase in income tax asset		334
Profit recognised on the acquisition of subsidiaries		(3,639)
Depreciation of property, plant and equipment	11	95
Increase in other receivables	13	(1,520)
Increase in interest payable on shareholders loans		6,339
Decrease in deferred consideration		(388)
Cash from secured loan notes from third party	12	1,469
Non cash movements on secured loan notes	12	(564)
Increase in tax liability		1,397
Derivative loss expensed	20	693
Decrease in trade and other payables	14	(4)
Net cash from operating activities		**11,907**
Cash flows from investing activities		
Investments in subsidiaries		(36,260)
Purchase of property, plant and equipment	11	(659)
Purchases of purchased loan portfolios	12	(5,768)
Net cash used in investing activities		**(42,687)**
Cash flows from financing activities		
Proceeds from additional loans		41,625
Proceeds from additional share issue		16
Net cash provided by financing activities		**41,641**
Net increase in cash and cash equivalents		**10,861**
Cash and cash equivalents at beginning of period		**—**
Cash purchased through acquisition		2,335
Effect of exchange rates on cash and cash equivalents		(158)
Cash and cash equivalents at end of period		**13,038**

The notes on pages F-69 to F-91 form part of these financial statements.

1. General information

At 31 December 2009, Arrow Global Guernsey Holdings Limited was the Ultimate Parent Company of the Group. The Company's subsidiaries (collectively the ''Group'') are Batchblock Limited (100% Company), Arrow Global Guernsey Limited (100% Company), Arrow Global (Holdings) Limited (100% Batchblock Limited), Arrow Global Limited (100% Arrow Global (Holdings) Limited), Arrow Global Receivables Management Limited (100% Arrow Global (Holdings) Limited), Strzala Sp. z o.o. (99% Arrow Global (Holdings) Limited, 1% Arrow Global Limited) Arrow Global Debt Limited (100% Company), Arrow Global Debt No. 1 Limited (100% Arrow Global Debt Limited), Arrow Global Debt No. 2 Limited (100% Arrow Global Debt Limited), Arrow Global Debt No. 3 Limited (100% Arrow Global Debt Limited) and Arrow Global Debt No. 4 Limited (100% Arrow Global Debt Limited).

Through its subsidiary companies, the Group acquires certain pools of semi-performing and/or charged-off consumer loans pursuant to the terms of each specific purchase agreement. The Group enters into contractual servicing agreements with other third parties to collect the receivables, to administer and disburse the proceeds of the receivables, and to take other actions as may be necessary to fully effectuate the terms of the articles of association.

2. Adoption of new and revised standards

The following standards have been adopted by the European Union, but are not effective for the period ended 31 December 2009. The only Standard or Interpretations that has been adopted early in these financial statements is IFRS3 (revised January 2008) regarding Business Combinations.

Standard/Interpretation	Subject	Year end first applies
IFRS 3 (revised January 2008)	Business Combinations	31 December 2010
Amendment to IAS 27 (January 2008)	Consolidated and Separate Financial Statements	31 December 2010
Amendment to IAS 39 (July 2008)	Eligible Hedged Items	31 December 2010
IFRS 1 (revised November 2008)	First Time Adoption of IFRSs	31 December 2010
Amendment to IFRS 1 (July 2009)	Additional Exemptions for First Time Adopters	31 December 2010
Amendment to IFRS 2 (June 2009)	Group Cash-settled Share-based Payment Transactions	31 December 2010
IFRIC 17	Distributions of Non-cash Assets to Owners	31 December 2010
IFRIC 18	Transfers of Assets from Customers	31 December 2010
IAS 24 (revised November 2009)	Related Party Disclosures	31 December 2011
Amendment to IAS 32 (October 2009)	Classification of Rights Issues	31 December 2011
Amendment to IFRIC 14 (November 2009)	Prepayments of a Minimum Funding Requirement	31 December 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	31 December 2011
IFRS 9	Financial Instruments	31 December 2013

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the Group. The only Standard that has been adopted early in these financial statements is IFRS3 (revised January 2008) regarding Business Combinations.

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with EU IAS Regulation.

3. Significant accounting policies (continued)

The Financial Statements of the Group and the Company have been prepared under the historical cost convention.

Going concern

The financial statements have been prepared under the going concern basis, which the Directors believe to be appropriate. The Directors are satisfied that the Group has adequate resources to continue to trade for the foreseeable future and the going concern basis continues to be appropriate for preparing the financial statements. In making this assessment, detailed trading forecasts have been prepared which support the going concern assumptions in being applied. The decline in the economic climate has seen increased amounts of charged-off, unsecured debt being placed into the marketplace by large financial institutions and this trend looks set to continue for the foreseeable future. This presents an opportunity for the Group to acquire portfolios of debt during this time for purchase considerations significantly lower than the debt's face value.

The Company did not generate any cash, revenue or profit of its own as its activities remain that of a holding Company. The principal liabilities of the Company relate to the shareholder loan of £47,964,000 which is not repayable until 2015. The shareholder of the Company owns 100% of the assets and liabilities of the Group and manages its exposure at a Group level, not at a Company level.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is

3. Significant accounting policies (continued)

subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

In accordance with IAS 39, paragraph 9, the Group recognises revenue from purchased loan portfolios using the effective interest method. The effective interest method is a method of calculating the amortised cost of a purchased loan portfolio and of allocating interest income over the expected life of the portfolio. The effective interest rate is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. Estimates of cash flows that determine the effective interest rate are established for each purchased portfolio and are based on the Group's collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location and time since original charge-off.

When a portfolio is purchased, the Group estimates monthly future cash flows for each portfolio and calculates the effective interest rate for the portfolios expected economic life. When an individual portfolio's carrying value is completely recovered, the Group recognises any subsequent collections as income.

The portfolios are reviewed for any possible indications of impairment at the Consolidated Balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios.

The portfolio asset is analysed between current and non-current in the Consolidated Balance Sheet. The current asset is determined using the expected cash flows arising in the next 12 months after the balance sheet date. The residual amount is classified as non-current.

Interest income from secured loan notes

The Group has entered into lending arrangements with third parties to provide capital to purchase non-performing consumer debt portfolios (see note 12). Interest income is recognised throughout the year.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The Group has, for the period covered by these financial statements, only made contributions to defined contribution plans to provide pension benefits for employees upon retirement and, otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

3. Significant accounting policies (continued)

Foreign currencies

The individual financial statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group Company are expressed in pounds sterling, which are the functional currency of the Company and the presentation currency for the Consolidated Financial Statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the Consolidated Statement of Changes in Equity.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit/(loss) for the period. Taxable profit/(loss) differs from profit/(loss) as reported in the Consolidated Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Group has not recognised a deferred tax asset in the period in respect of losses carried forward (see note 10).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group

3. Significant accounting policies (continued)

expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method on the following bases:

Software Licenses and Development	3 years
IT Equipment	3 years
Fixtures and Fittings	10 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Statement of Comprehensive Income.

Financial assets

The Group's purchased loan portfolios and secured loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Under IAS 39, such assets are classified as 'loans and receivables' and are measured at amortised cost using the effective interest method less any impairment.

Investment in subsidiaries

Fixed asset investment is stated at cost less any provision for impairment.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

The Group makes estimates of the anticipated future return on its purchased loan portfolios when calculating the revenue from the portfolios acquired in the year. In determining the anticipated future return on its portfolios, the Group prepares cash flow projections to calculate an effective interest rate to generate the yield income. Actual cash flows will vary from projected cash flows.

Periodic impairment reviews are performed to assess the accuracy of the original cash flow projections by comparing actual cash flows collected on a portfolio to those which were originally forecast. When variances are found, the cash flows are revised and the carrying value of the portfolio is impaired to ensure the original effective interest rate is maintained.

5. Profit for the period

Profit for the period has been arrived at after charging/(crediting):

	Period 8 October 2008 to 31 December 2009 £000
Net foreign exchange losses	891
Portfolio write up	(1,448)
Profit recognised on acquisition of subsidiary before expenses	(3,639)
Depreciation of property, plant and equipment	95

6. Interest income

	Period 8 October 2008 to 31 December 2009 £000
Bank interest	42

7. Interest expense

	Period 8 October 2008 to 31 December 2009 £000
Interest on deferred consideration	95
Interest on shareholders loans	6,339
	6,434

8. Auditors' remuneration

	Period 8 October 2008 to 31 December 2009 £000
The analysis of auditor's remuneration is as follows:	
Fees payable for audit services	97
Fees payable for tax compliance and advisory services	122
	219

9. Staff costs

	Period 8 October 2008 to 31 December 2009 £000
Wages, bonuses and salaries	1,903
Pension costs	73
Social security costs	251
	2,227

The average monthly number of employees (including executive Directors) was 32.

The total Directors' remuneration paid during the period was £717,726. The remuneration of the highest paid Director during the year was £363,726.

10. Tax

The Group's entities incorporated in Guernsey are currently not subject to corporation taxes. Corporation tax is payable in respect of the Group's entities in the UK and Poland, of which the UK's activities are more predominant. The analysis below therefore uses the UK rate of corporation tax.

10. Tax (continued)

The effective tax rate for the period ended 31 December 2009 is lower than the standard rate of corporation tax in the UK at 28%, the differences are as follows:

	Period 8 October 2008 to 31 December 2009 £000
Loss before tax	(1,868)
Tax credit at standard UK corporation tax rate of 28%	523
Adjustment in respect of prior years	624
Current years loss utilisation	(615)
Expenses not deductible for tax purposes	(37)
Capital allowances in excess of depreciation	22
Differing overseas tax rates	108
Tax charge	625
Tax charge relating to continuing operations	—
Tax charge relating to discontinued operations (Note: 23)	625
Effective tax rate relating to continuing operations	0%

The loss before tax, as shown above, differs from the Consolidated Statement of Comprehensive Income as it is the aggregated profit or loss for the parent and its subsidiaries before any consolidation adjustments, including the profit arising on the acquisition of subsidiaries.

	Period 8 October 2008 to 31 December 2009 £000
Tax charge for the period ended 31 December 2009 consists of:	
Current tax charge:	
UK and foreign corporation tax at 28% based on profit for the period	625
Total current tax charge	**625**
Deferred tax credit:	
Origination and reversal of temporary differences	—
Total deferred tax credit	—
Total tax charge	**625**

The Group has not recognised a deferred tax asset in respect of £8,830,000 of tax losses carried forward. The losses are available for offset against future profits and have no expiry date.

11. Property, plant and equipment

	Computer equipment £000	Furniture £000	Leasehold Improvement £000	Software £000	Total £000
Cost					
At 8 October 2008	—	—	—	—	—
Transfers	44	3	—	1	48
Additions	110	22	292	230	654
At 31 December 2009	**154**	**25**	**292**	**231**	**702**
Accumulated depreciation					
At 8 October 2008	—	—	—	—	—
Transfers	12	—	—	1	13
Charge for the period	21	2	12	47	82
At 31 December 2009	**33**	**2**	**12**	**48**	**95**
Carrying amount					
At 31 December 2009	**121**	**23**	**280**	**183**	**607**

The transfers relate to the acquisition of AG(H)L (Arrow Global (Holdings) Limited) and its subsidiaries.

12. Financial assets

For the period ended 31 December 2009:

	Current £000	Non-current £000	Total £000
Purchased loan portfolios	7,662	31,401	39,063
Portfolio write up	447	1,001	1,448
	8,109	32,402	40,511
Secured loan notes	520	1,025	1,545
	8,629	**33,427**	**42,056**

Secured loan notes

The Group acquired the secured loan notes held within Arrow Global Limited during the period. At 31 December 2009, secured loan notes of £1,545,000 existed with third parties to provide capital to purchase under-performing consumer debt portfolios. The secured loan notes comprise of secured senior and secured mezzanine notes which carry interest at rates based on the London Interbank Offered Rate (''LIBOR'') or the Euro Interbank Offered Rate (''EURIBOR'') are repayable in monthly instalments and mature between 22 May 2016 and 12 December 2017. The secured loan notes are secured by the loans within the acquired consumer debt portfolios. Interest and loan write up income during the year ended 31 December 2009 was £855,000. Cash collected in the year relating to loan notes was £1,469,000.

12. Financial assets (continued)

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 December 2009, the carrying amount of the purchased loan portfolio asset was £40,511,000. The movements in purchased loan portfolio assets for the period ended 31 December 2009 were as follows:

	2009 £000
As at 8 October 2008	—
Portfolios acquired upon acquisition of Arrow Global (Holdings) Limited and its subsidiaries	14,621
Portfolios acquired during the period Arrow Global Guernsey Limited	26,060
Portfolios acquired during the period Arrow Global (Holdings) Limited Group	6,268
Collections in the period	(22,498)
Income from purchased loan portfolios	14,225
Income from purchased loan portfolios on discontinued operations	437
Exchange loss on purchased loan portfolios	(50)
Portfolio write up	1,448
As at 31 December 2009	**40,511**

13. Other receivables and prepayments

	2009 £000
Prepayments	75
Other debtors	1,563
Deposits	58
	1,696

The Directors consider that the carrying amounts approximate to their fair value.

14. Trade and other payables

	2009 £000
Trade payables	1,082
Taxation and social security	209
Other creditors	35
Other liabilities and accruals	1,425
	2,751

The Directors consider that the carrying amounts approximate to their fair value.

15. Shareholders loans

The Company has a nominal amount of £42,000,000 of £1 loan stock accruing interest at 15% per annum in issue. The loan stock and accrued interest are repayable at the earliest of the sale of the business or 31 December 2015.

As at 31 December 2009, there was £41,625,000 of loan stock in issue and accruing interest as follows:

	2009 £000
Loan received from shareholders	41,625
Interest accruing at 15% per annum	6,339
As at 31 December 2009	47,964

The Directors consider that the carrying amounts approximate to their fair value.

16. Share capital

The share capital of the company is unlimited. For the period from incorporation the company issued 10,002 Ordinary shares for a total consideration of £16,366 giving rise to a share premium of £6,364 and:

	2009 £
Issued and fully paid:	
'A' Ordinary Shares of £1 each	9,002
'B' Ordinary Shares of £1 each	1,000

The Company's ordinary shares carry no right to fixed income.

17. Lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009 £000
Less than 1 year	41
1-2 years	235
2-5 years	596
	872

Operating lease payments represent rentals payable by the Group for certain of its office properties.

18. Related party transactions

Transactions with Directors and key managers

There were no material related transactions with Directors or key managers during the accounting period other than Directors' emoluments.

18. Related party transactions (continued)

Group

As at 31 December 2009:

	RBS Investments 1 £000	Deferred consideration £000	Total £000
Related party PIK Notes	(47,964)	—	(47,964)
Amounts due to related parties	—	(4,174)	(4,174)
	(47,964)	(4,174)	(52,138)

See note 25 for further detail.

Company

As at 31 December 2009:

	RBS Investments 1 £000	Arrow Global Guernsey Limited £000	Batchblock Limited £000	Arrow Global Limited £000	Total £000
Amounts owed by related parties	—	—	2,000	8,750	10,750
Related party PIK Notes	(47,964)	—	—	—	(47,964)
Amounts due to related parties	—	(9,545)	—		(9,545)
Related party PIK Notes	—	13,781	8,927	—	22,708
	(47,964)	4,236	10,927	8,750	(24,051)

The amount owed to Arrow Global Guernsey Limited is in respect of an intercompany loan. The amount due from Arrow Global Guernsey Limited is in respect of a loan note issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £13,200,000 with interest accruing at 6 month LIBOR plus 3.5% amounting to £581,000.

The amount due from Batchblock Limited is in respect of a loan note issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £8,550,000 with interest accruing at 6 month LIBOR plus 3.5% amounting to £377,000.

The amount owed to RBS Investments 1 is in respect of a loan note issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £41,625,000 with interest accruing at 15% per annum amounting to £6,339,000.

No other transactions occurred between the related parties, excluding those disclosed above.

19. Investments in subsidiary undertakings

Details of the Company's subsidiaries at 31 December 2009 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Parent Company
Arrow Global Guernsey Limited	Guernsey	100	AGGHL
Batchblock Limited (BBL)	United Kingdom	100	AGGHL
Arrow Global (Holdings) Limited (AG(H)L)	United Kingdom	100	BBL
Arrow Global Limited (AGL)	United Kingdom	100	AG(H)L
Arrow Global Receivables Management Limited	United Kingdom	100	AG(H)L
Strzala Sp. z o.o.	Poland	100	AG(H)L/AGL
Arrow Global Debt Limited	Guernsey	100	AGGHL
Arrow Global Debt No. 1 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 2 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 3 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 4 Limited	Guernsey	100	AGDL

	Batchblock Limited £000	Arrow Global Guernsey Limited £000	Total £000
At 8 October 2008	—	—	—
Additions	5,784	8,800	14,584
At 31 December 2009	**5,784**	**8,800**	**14,584**

The investments in subsidiaries are all stated at cost.

The investments of Arrow Global Guernsey Holdings Limited (AGGHL) subsidiaries were as follows:

Name of investing company	Investment type/ company purchased	Proportion of ownership interest (%)	Investment
Arrow Global Guernsey Limited	Asset purchase	100	21,600
Batchblock Limited	Share purchase of AG(H)L	100	13,376
Arrow Global (Holdings) Limited	Share purchase of AGRML	50	4,834
			39,210

These investments are explained in more detail in note 22.

Arrow Global Receivables Management Limited (AGRML).

Arrow Global Debt Limited (AGDL).

20. Financial instruments

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day to day working capital is funded by its cash and cash equivalents. The key risks identified for the Group are discussed below.

The Group has exposure to credit risk, market risk and liquidity risk that arises throughout the normal course of the Group's business.

20. Financial instruments (continued)

Fair values

The Directors consider that there are no material differences between the asset values in the Consolidated Balance Sheet and their fair value.

Credit risk

Credit risk is considered upon the acquisition of a portfolio and loan notes by assessing the expected return. The Group manages this risk by monitoring the performance of the loan notes and portfolio throughout its economic life. Cash collections made on a loan notes and portfolio are continually monitored and the carrying value of the asset is impaired where it is deemed that the asset is underperforming.

Consolidated Balance Sheet

	2009 £000
Purchased loan portfolio	39,063
Portfolio write up	1,448
	40,511

The Group's principal activity is the acquisition and management of underperforming portfolios of loans. All purchased portfolios are, by their nature, significantly past due and impaired upon acquisition. No additional collateral is held in respect of the portfolios. The Group performs further impairment reviews periodically.

All purchased loan portfolios are disclosed at amortised cost. Impairment is assessed on a regular basis by management and is identified on a portfolio basis following evidence that the financial asset is impaired.

All secured loan notes are disclosed at amortised cost. Impairment is assessed on a regular basis by management and is identified on a loan basis following evidence that the financial asset is impaired.

Liquidity risk

The Group actively monitors its liquidity and cash flow position to ensure it has sufficient cash and purchased loan portfolio financing in order to fund its activities. The management team monitor cash through daily reporting, the management accounts and periodic review meeting.

	2009			
	Within 1 year £000	1 to 2 years £000	Above 2 years £000	Total £000
Amounts owed to:				
Non-interest bearing				
Trade and other payables	3,444	—	—	3,444
Deferred consideration	1,881	2,292	—	4,173
Interest bearing				
PIK loan notes	—	—	47,964	47,964
Deferred consideration	1,645	—	—	1,645
Total	**6,970**	**2,292**	**47,964**	**57,226**

20. Financial instruments (continued)

Market risk

Market risk is the risk that there is a decreased availability of distressed debt which consequently increases the market price at which portfolios can be acquired. In the event of the economy experiencing growth, there is the risk that debtors will have an increased ability to meet their obligations and repay an increased amount of debts originally undertaken. Current market conditions suggest this does not represent a significant risk for the foreseeable future. Furthermore, an improvement in macroeconomic conditions will result in an increased likelihood of previously distressed debt being recovered.

Interest rate risk

The Group is exposed to interest rate risk during the period on the purchased loan portfolio financing, related party loans, PIK loan note financing and cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment.

Interest rate sensitivity analysis

If interest base rates had been 0.5 per cent basis points higher/lower and all other variables were held constant, the Groups':

- profit for the period ended 31 December 2009 would decrease/increase by £56,000. This is attributable to the Group's exposure to interest on its cash and cash equivalents;

If LIBOR rates had been 0.25 per cent basis points higher/lower and all other variables were held constant, the Group's:

- profit for the period ended 31 December 2009 would decrease/increase by £6,000. This is attributable to the Group's exposure to interest on its secured loan notes.

Foreign currency risk

The Group is exposed to foreign exchange currency risk on purchased loan portfolios, secured loan notes, cash and cash equivalents and its transactions with other related parties. The risk of this exposure is reduced using forward foreign exchange contracts.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10 per cent higher than those at the balance sheet date and all other variables were held constant, the Group's net assets for each denomination of currency would increase/(decrease) as follows:

Currency	2009 £000
Euro (EUR)	(219)
US Dollar (USD)	(25)
Polish Zloty (PLN)	(197)
	(441)

20. Financial instruments (continued)

If foreign exchange rates had been 10 per cent lower than those at the balance sheet date and all other variables were held constant, the Group's net assets for each denomination of currency would increase/(decrease) as follows:

Currency	2009 £000
Euro (EUR)	268
US Dollar (USD)	30
Polish Zloty (PLN)	240
	538

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity.

The Group is not subject to any externally imposed capital requirements.

The management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at the 31 December 2009 was:

	2009 £000
Cash and cash equivalents	13,038
Ordinary shares	16
PIK loan notes (15% interest)	47,964

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts.

In the current year, the Group has created certain forward contracts to mitigate its portfolio future cash flows in Poland and Portugal. The functional currencies of these operations are the Polish Zloty and the Euro. The Group has entered into the forward foreign exchange contracts (for terms provided in the table below) to mitigate the exchange rate risk arising from these anticipated future cash flows.

As at 31 December 2009, the aggregate amount of losses under forward foreign exchange contracts that has been expensed in the Consolidated Statement of Comprehensive Income relating to the exposure on these anticipated future transactions is £693,000. It is anticipated that the cash flows will take place

20. Financial instruments (continued)

over the next three years for Portugal and due to the sale of the Polish portfolios will no longer materialise in Poland.

Outstanding contracts	Average exchange rate	Notional value 2009 £000	Maturity date	Fair value 2009 £000
Cash flow hedges				
Sell Polish Zloty				
European OTC Put GBP/Call PLN	5.73	936	27 Jan 2010	(223)
European OTC Put GBP/Call PLN	5.73	745	27 Jan 2011	(155)
European OTC Put GBP/Call PLN	5.73	596	27 Jan 2012	(112)
Loss				(490)
Cash flow hedges				
Sell Euro				
European OTC Put GBP/Call EUR	1.1768	434	27 Jan 2010	(43)
European OTC Put GBP/Call EUR	1.1768	745	27 Jan 2011	(39)
European OTC Put GBP/Call EUR	1.1768	745	27 Jan 2012	(39)
European OTC Put GBP/Call EUR	1.1768	745	29 Jan 2013	(44)
European OTC Put GBP/Call EUR	1.1768	596	29 Jan 2014	(38)
Loss				(203)
Total loss expensed to Consolidated Statement of Comprehensive Income				**(693)**

Fair value hierarchy

Derivative financial instruments are initially recognised, and subsequently measured, at fair value. Level 1 fair value measurements are those where the value has been derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Of the above derivative contracts, the fair value of £693,000 has been determined as a Level 2 measurement.

Foreign exchange exposure

Arrow Global Guernsey Holdings Limited manages its foreign exchange exposure that arises primarily from its Polish and Portugal portfolio income and is denominated in Polish Zloty (PLN) and the Euro. The Polish subsidiary and its portfolios where purchased as part of the acquisition of Arrow Global (Holdings) Limited and where subsequently sold on the 30 December 2009 and form the discontinued operations within the Consolidated Statement of Comprehensive Income. The Company has some assets denominated in the same currencies as the foreign portfolio income, which should mitigate some of the foreign currency exchange rate risk on these operations.

20. Financial instruments (continued)

The following table sets out the foreign exchange exposure of the financial assets and liabilities of the Polish business:

	Year ended 31 December 2009 £000
Current assets	
Cash and cash equivalents	2,259
Other debtors and tax assets	744
Current liabilities	
Trade and other payables	121

21. Parent undertaking

As at 31 December 2009, the Group's parent company is RB Investments 1 Limited, a nominee company, which holds the beneficial ownership of the Group for the RBS Special Opportunities Fund. RB Investments 1 Limited's, ultimate parent is The Royal Bank of Scotland Group plc. RB Investments 1 Limited and The Royal Bank of Scotland Group plc are incorporated in Great Britain and registered in Scotland.

Arrow Global Guernsey Holdings Limited is the Parent Company of the Group and represents the largest Group into which the accounts of the Group are consolidated for the period ended 31 December 2009.

22. Acquisition of subsidiaries

Acquisition of Arrow Global (Holdings) Limited

On the 21 January 2009, Batchblock Limited acquired the entire issued share capital (100%) of Arrow Global (Holdings) Limited from Arrow Financial International LLC, a Delaware corporation, for a total consideration of £11,376,000, paid in cash. The Group also inherited the substantial losses made in 2008 by the previous owner.

Arrow Global (Holdings) Limited's principal activity is that of holding Company of Arrow Global (Holdings) Limited and its subsidiaries. Arrow Global (Holdings) Limited's subsidiaries are Arrow Global Limited (100% AG(H)L), Arrow Global Receivables Management Limited (100% AG(H)L), and Strzala Sp. z o.o. (99% AG(H)L, 1% Arrow Global Limited).

The Group's principal activity is the acquisition and management of underperforming portfolios of loans. There are no immediate plans for any other business activities by the Group.

22. Acquisition of subsidiaries (continued)

The acquisition of this shareholding has given rise to a profit on acquisition of £3,639,000 (negative goodwill) before acquisition costs and £3,188,000 after acquisition costs, this has been recognised in the Consolidated Statement of Comprehensive Income and is calculated as follows:

The estimated book and fair values of the assets and liabilities at the date of acquisition were:

	Book value £000	Fair value and accounting policy adjustments £000	Fair value £000
Assets			
Purchased loan portfolios	11,763	—	11,763
Secured loan notes	2,615	(165)	2,450
Tangible fixed assets	35	—	35
Cash & cash equivalents	1,469	—	1,469
Income tax assets	621	—	621
Prepayments	120	—	120
Total assets	**16,623**	**(165)**	**16,458**
Liabilities			
Trade payable and other liabilities	1,443	—	1,443
Total liabilities	**1,443**	**—**	**1,443**
Net assets	15,180	(165)	15,015
Net assets acquired (100%)			**15,015**
Total consideration			(11,376)
Acquisition costs			(451)
Profit arising on acquisition of subsidiary			**3,188**

Acquisition of 50% of the issued share capital in Arrow Global Receivables Management Limited

On the 21 January 2009 the Group acquired 50% of the issued share capital of Arrow Global Receivables Management Limited from RB Investments 1 Limited of 135 Bishopsgate, London, EC2M 3UR for a total consideration of £4,834,000, paid in PIK loan notes.

On the same day the 50% holding in Arrow Global Receivables Management Limited was transferred down the Group via Batchblock limited to Arrow Global (Holdings) Limited.

The Company's principal activity is the acquisition and management of underperforming portfolios of loans. There are no immediate plans for any other business activities by the Company.

22. Acquisition of subsidiaries (continued)

The acquisition of this shareholding has given rise to goodwill (positive) on acquisition of £1,968,000; this has been recognised in the Consolidated Balance Sheet and is calculated as follows:

The estimated book and fair values of the assets and liabilities at the date of acquisition were:

	Book value £000	Fair value and accounting policy adjustments £000	Fair value £000
Assets			
Purchased loan portfolios	2,858	—	2,858
Cash & cash equivalents	66	—	66
Income tax assets	137	—	137
Total assets	**3,061**	**—**	**3,061**
Liabilities			
Trade payable and other liabilities	195	—	195
Total liabilities	**195**	**—**	**195**
Net assets	2,866	—	2,866
Net assets acquired (50%)			**2,866**
Total consideration			(4,834)
Goodwill arising on acquisition of subsidiary			**(1,968)**

The assets and liabilities as at the acquisition date in the tables above are stated at their provisional fair values.

The results of the acquisitions have been included in the Consolidated Financial Statements of the Group with effect from 22 January 2009, and have contributed revenue of £7,027,000 over the period, whilst contributing £339,000 profit to the overall consolidated profit before tax.

Had Arrow Global (Holdings) Limited and Arrow Global Receivables Management Limited been 100% owned and consolidated from the 1 January 2009 the Consolidated Statement of Changes in Equity would have included revenue of £7,198,000, and have contributed £181,000 profit to the overall consolidated profit before tax.

In addition to the acquisitions of the above, on the 21 January 2009 Arrow Global Guernsey Limited, acquired certain assets and liabilities from Arrow Global, LLC for a total consideration of £21,600,000, paid in cash and financed by a mixture of equity and PIK loan notes.

22. Acquisition of subsidiaries (continued)

The estimated book and fair values of the assets and liabilities at the date of acquisition were:

	Book value £000	Fair value and accounting policy adjustments £000	Fair value £000
Assets			
Purchased loan portfolios	26,060	—	26,060
Cash & cash equivalents	799	—	799
Other debtors	2,066	—	2,066
Total assets	**28,925**	**—**	**28,925**
Liabilities			
Deferred consideration	6,207	—	6,207
Trade payable and other liabilities	1,118	—	1,118
Total liabilities	**7,325**	**—**	**7,325**
Net assets	21,600	—	21,600
Net assets acquired			21,600
Total consideration			**(21,600)**

The deferred consideration purchased on the 21 January 2009 consisted of a holdback of £1,550,000 in consideration given to Arrow Financial International, LLC for the purchase of the assets and liabilities of Arrow Global, LLC and the shares of Arrow Global (Holdings) Limited and the aggregate deferred consideration to other minority shareholders of £4,657,000 to be paid yearly to 2012. As at 31 December 2009 the amounts held on the Consolidated Balance Sheet are £1,550,000 and £4,174,000 respectively.

23. Discontinued operations

On 30 December 2009, the Group entered into a sale agreement to dispose of the portfolio assets of Strzala Sp. z o.o., which related to all of the Group's Polish revenues. The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses. The disposal was completed on 30 December 2009, on which date the benefits of the portfolios passed to the acquirer.

The results of the discontinued operations, which have been included in the Consolidated Statement of Comprehensive Income, were as follows. The information as at 31 December 2008 relates to the pre-acquisition period and is provided for illustrative purposes:

	Period ended 21 December 2009 £000	Year ended 2008 £000
Revenue	815	(512)
Expenses	(570)	(778)
Profit/(loss) before tax	245	(1,290)
Attributable tax expense	(624)	—
Net loss attributable to discontinued operations	(379)	(1,290)

23. Discontinued operations (continued)

The following represents the cash flow derived from the discontinued operation in the period:

	Period ended 21 December 2009 £000
Net cash flows from operating activities	(167)
Net cash flows from investing activities	1,953
Net increase in cash and cash equivalents	1,786
Cash increase in the period from discontinued operations	1,786

24. Contingent Liabilities

The Group sold its Polish portfolios during 2009, and the Polish entity, Strzala Sp. Z.o.o. is now non-trading. Strzala Sp. Z.o.o had a tax audit in February 2010 covering the financial years 2006 to 2008. The conclusion of this tax audit was that an amount of PLN 6,400,000 (£1,397,000) was paid in April 2010 in relation to Polish Stamp Duty arising from transactions that had occurred in the period covered by the tax audit. The Directors believe that this amount is fully recoverable from the previous owners of the Group under the terms of the sale and proceedings to recover the payment, in accordance with the sale and purchase agreement, have commenced. The amount is also potentially recoverable on appeal from the Polish tax authority. Consequently a tax liability and a debtor have been recognised in the Consolidated Balance Sheet in respect of this payment.

A further tax liability may also exist with regard to the purchase of certain portfolios by Strzala Sp Z.o.o prior to the acquisition of the Company by the Group. However, the Directors followed normal practice and the legal advice received at the time. If a liability does exist in relation to the purchase of portfolios prior to the acquisition by the new owners, then the costs should be covered by the sale and purchase agreement, as per the stamp duty liability described above.

In addition, there is a lack of specific guidance from the tax authorities, rulings or case law to base the calculation of any potential liability and the Directors consider it would be misleading to accrue any particular amount given the current circumstances. The maximum potential gross liability to the Group is £915,000 although the Directors consider that this is remote.

25. Deferred consideration

Payable to minority shareholders

Provision is made for contingent deferred consideration which is payable from 2010 to 2012 and is based on the financial performance of certain portfolios in individual calendar years from 2008 to 2011. This is payable to individual minority shareholders of the Group.

The total minimum undiscounted amount payable over the three year period is £2,666,662. The maximum amount payable over the three year period is £5,000,000. Estimates of future performance have been made and the liability discounted in accordance with the requirements of IFRS.

Payable to vendor

Provision made for contingent deferred consideration from the sale and asset agreement between Arrow Global Guernsey Limited and Sallie Mae Inc for £1,550,000 plus interest at 5 per cent per annum. This deferred consideration is based on the actual value achieved from the assets purchased compared to the book value of the assets at the date of purchase. Any impairment to the assets will be reflected in a reduction of the deferred consideration. Sallie Mae Inc was the ultimate parent company of Arrow Financial International, LLC and Arrow Global, LLC.

25. Deferred consideration (continued)

As at 31 December 2009:

	Payable to minority shareholders £000	Payable to vendor £000	Total £000
Opening provision as at 8 October 2008	4,657	1,550	6,207
Revision of provision	(483)	—	(483)
Interest of provision	—	95	95
Closing provision as at 31 December 2009	4,174	1,645	5,819

Period from 8 October 2008 to 31 December 2009:

	Payable to minority shareholders £000	Payable to vendor £000	Total £000
Included in current liabilities	1,881	1,645	3,526
Included in non current liabilities	2,293	—	2,293
Closing provision as at 31 December 2009	4,174	1,645	5,819

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