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THIS DOCUMENT MAY NOT BE USED FOR, AND SHOULD NOT BE CONSTRUED AS, ANY OFFER FOR SALE OR SUBSCRIPTION OF, OR SOLICITATION OF ANY OFFER TO BUY OR SUBSCRIBE FOR ANY SECURITIES OR OTHER FINANCIAL INSTRUMENTS OR AN INDUCEMENT TO ENTER INTO INVESTMENT ACTIVITY IN ANY JURISDICTION, INCLUDING THE UNITED STATES, IN WHICH SUCH OFFER, SOLICITATION OR INDUCEMENT WOULD BE UNLAWFUL, OR TO ENGAGE IN ANY OTHER TRANSACTION (DIRECTLY OR INDIRECTLY) IN RESPECT OF ANY DEBT SECURITIES OF THE COMPANY

THE INFORMATION CONTAINED HEREIN SHOULD NOT BE CONSTRUED AS LEGAL, TAX, ACCOUNTING OR INVESTMENT ADVICE OR A PERSONAL RECOMMENDATION. NEITHER THE COMPANY NOR ANY OF ITS ADVISERS OR REPRESENTATIVES IS PROVIDING ANY LEGAL, ACCOUNTING OR TAX ADVICE AND YOU ARE STRONGLY ADVISED TO CONSULT YOUR OWN INDEPENDENT ADVISERS ON ANY LEGAL, TAX OR ACCOUNTING ISSUES RELATING TO THESE MATERIALS.

OPINIONS EXPRESSED REFLECT THE CURRENT OPINIONS OF THE COMPANY AS OF THE DATE APPEARING IN THIS DOCUMENT ONLY AND ARE BASED ON THE COMPANY'S OPINIONS OF THE CURRENT MARKET ENVIRONMENT, WHICH IS SUBJECT TO CHANGE. THE COMPANY DOES NOT UNDERTAKE, AND EXPRESSLY DISCLAIMS, ANY DUTY OR OBLIGATION TO UPDATE OR REVISE THIS DOCUMENT OR ANY RELATED INFORMATION, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

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SECURITIES OF THE COMPANY OR ANY OF ITS AFFILIATES, OR AN INDUCEMENT TO ENTER INTO INVESTMENT ACTIVITY IN THE UNITED STATES, THE UNITED KINGDOM OR IN ANY OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION, INDUCEMENT OF SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION, EXEMPTION FROM REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION. NO PART OF THIS DOCUMENT NOR THE FACT OF ITS DISTRIBUTION, SHOULD FORM THE BASIS OF, OR BE RELIED ON IN CONNECTION WITH, ANY CONTRACT OR COMMITMENT OR INVESTMENT DECISION WHATSOEVER, NOR DOES IT CONSTITUTE A RECOMMENDATION REGARDING THE SECURITIES OF THE COMPANY OR ANY OF ITS AFFILIATES.

ALL INFORMATION IN THIS DOCUMENT IS AS OF 28 NOVEMBER 2024.

IMPORTANT NOTICE

THIS EXCHANGE OFFER IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND WHO ARE NOT RESIDENT IN THE UNITED STATES AND ARE NOT LOCATED IN OR AT ANY ADDRESS IN THE UNITED STATES IN RELIANCE ON REGULATION S (AND, IN RELATION TO INVESTORS THAT ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA") OR THE UNITED KINGDOM, NOT RETAIL INVESTORS (AS DEFINED BELOW) IN THE EEA OR THE UNITED KINGDOM).

IMPORTANT: You must read the following before continuing. The following applies to the exchange offer memorandum (the "**Exchange Offer Memorandum**") following this notice, whether received by email or otherwise received as a result of electronic communication. You are advised to read this disclaimer carefully before reading, accessing or making any other use of the Exchange Offer Memorandum. By accessing the Exchange Offer Memorandum, you shall be deemed to agree (in addition to giving the representations below) to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Kroll Issuer Services Limited (the "**Exchange and Information Agent**"), J.P. Morgan Securities plc (the "**Lead Dealer Manager** and **Joint Global Co-Ordinator**"), Barclays Bank plc, HSBC Bank plc and NatWest Markets plc (the "**Joint Global Co-Ordinators and Co-Dealer Managers**"), and Citigroup Global Markets Limited, DNB Markets, a division of DNB Bank ASA, Goldman Sachs Bank Europe SE, Lloyds Banks Corporate Markets plc and Merrill Lynch International (the "**Co-Dealer Managers**" and, together with the Lead Dealer Manager and Joint Global Co-Ordinator and the Joint Global Co-Ordinators and Co-Dealer Managers, the "**Dealer Managers**") or any other person in connection with the Exchange Offer Memorandum, as a result of such access. Capitalized terms used in this notice and are otherwise not defined shall have the respective meanings set out in the Exchange Offer Memorandum.

THE EXCHANGE OFFER MEMORANDUM HAS BEEN PREPARED IN CONNECTION WITH THE EXCHANGE OFFER DESCRIBED HEREIN. THE EXCHANGE OFFER MEMORANDUM AND ITS CONTENTS ARE CONFIDENTIAL AND SHOULD NOT BE DISTRIBUTED, PUBLISHED OR REPRODUCED (IN WHOLE OR IN PART) OR DISCLOSED BY RECIPIENTS TO ANY OTHER PERSON. IF YOU ARE NOT THE INTENDED RECIPIENT OF THIS MESSAGE, PLEASE DO NOT DISTRIBUTE OR COPY THE INFORMATION CONTAINED IN THIS ELECTRONIC TRANSMISSION, INCLUDING ANY ATTACHMENTS HERETO, BUT INSTEAD DELETE AND DESTROY ALL COPIES OF THIS ELECTRONIC TRANSMISSION, INCLUDING ANY ATTACHMENTS HERETO.

THE EXCHANGE OFFER MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU RECEIVED THE EXCHANGE OFFER MEMORANDUM IN A FORM THAT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE FOLLOWING EXCHANGE OFFER MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE EXCHANGE OFFER IS BEING MADE SOLELY BY THE ISSUER. NO OTHER PERSON IS MAKING ANY INVITATION TO ANY ELIGIBLE HOLDER (AS DEFINED BELOW).

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO EXCHANGE, BUY OR SUBSCRIBE FOR SECURITIES TO OR FROM ANY PERSON IN ANY JURISDICTION TO OR FROM WHOM OR IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. THE DISTRIBUTION OF THE EXCHANGE OFFER MEMORANDUM IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. IN PARTICULAR, THIS EXCHANGE OFFER MEMORANDUM SHOULD NOT BE FORWARDED TO ANY PERSON LOCATED OR RESIDENT IN OR AT ANY ADDRESS IN, THE UNITED STATES OR TO ANY U.S. PERSON. SEE "*TRANSFER RESTRICTIONS*" IN THE EXCHANGE OFFER MEMORANDUM. PERSONS INTO WHOSE POSSESSION THE EXCHANGE OFFER MEMORANDUM COMES ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

THE TRUSTEES MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY, VALIDITY, CORRECTNESS OR COMPLETENESS OF THE ATTACHED EXCHANGE OFFER MEMORANDUM OR ANY OTHER DOCUMENTS PROPOSED IN CONNECTION THEREWITH.

THE EXCHANGE NOTES (AS DEFINED IN THE EXCHANGE OFFER MEMORANDUM) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE EXCHANGE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S). ACCORDINGLY, THE EXCHANGE OFFER (AS DEFINED IN THE EXCHANGE OFFER MEMORANDUM) IS DIRECTED, AND THE EXCHANGE NOTES DESCRIBED HEREIN WILL BE ISSUED, ONLY TO EXISTING NOTEHOLDERS WHO ARE NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S) WHO ARE NOT RESIDENT IN THE UNITED STATES AND ARE NOT LOCATED IN OR AT ANY ADDRESS IN THE UNITED STATES IN RELIANCE ON REGULATION S (AND, IN RELATION TO INVESTORS THAT ARE RESIDENT IN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM, NOT RETAIL INVESTORS (AS DEFINED BELOW) IN THE EEA OR THE UNITED KINGDOM) (EACH SUCH EXISTING NOTEHOLDER, AN "**ELIGIBLE HOLDER**").

Confirmation of your representation: In order to be eligible to view the Exchange Offer Memorandum or make an investment decision with respect to the Exchange Offer (including to participate in the exchange of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes (each, as defined in the Exchange Offer Memorandum) for Exchange Notes, all as further described in the Exchange Offer Memorandum), you must be an Eligible Holder. The Exchange Offer Memorandum was provided to you at your request and by accessing the Exchange Offer Memorandum you shall be deemed to have represented to the Issuer, the Dealer Managers and the Exchange and Information Agent that:

(1) you are a holder or a beneficial owner of the Existing Floating Rate Notes or the Existing Euro Fixed Rate Notes;

(2) you acknowledge that you are receiving such Exchange Offer Memorandum in electronic format;

(3) the electronic mail address that you have given to the Issuer, the Dealer Managers and/or the Exchange and Information Agent and to which the Exchange Offer Memorandum has been delivered is not located in the United States;

(4) neither you nor any beneficial owner of the Existing Floating Rate Notes or the Existing Euro Fixed Rate Notes nor any other person on whose behalf you are acting, either directly or indirectly, is a U.S. person (within the meaning of Regulation S) or located or resident in the United States;

(5) you have not sent and will not send any copy of the Exchange Offer Memorandum and you have not used and will not use, directly or indirectly, the mails of, or a means of communication or other means or instrumentality of commerce or the facilities of a United States securities exchange in relation to the Exchange Offer;

(6) you are not an agent or a fiduciary acting on a non-discretionary basis for a principal who has given or will give any instructions with respect to the Exchange Offer from or within the United States;

(7) you are not a Sanctions Restricted Person (as defined in the Exchange Offer Memorandum); and

(8) you are an Eligible Holder.

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

Under no circumstances shall the Exchange Offer Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Exchange Offer Memorandum contains important information which should be read carefully before any decision is made with respect to the Exchange Offer. If any holder of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes is in any doubt as to the action it should take, such holder should seek its own financial advice, including as to any tax consequences, from its stockbroker, bank manager, legal adviser, accountant or other independent financial, legal or other professional adviser. Any holder whose Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Exchange Offer.

The Exchange Notes described in the following Exchange Offer Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any "retail investor" in the EEA. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Exchange Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Exchange Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

THE EXCHANGE OFFER MEMORANDUM HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF EXCHANGE NOTES IN ANY MEMBER STATE OF THE EEA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE PROSPECTUS REGULATION FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF EXCHANGE NOTES. THE EXCHANGE OFFER MEMORANDUM IS NOT A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS REGULATION.

The Exchange Notes described in the following Exchange Offer Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any "retail investor" in the United Kingdom. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565, as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129, as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014, as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK PRIIPs Regulation**") for offering or selling the Exchange Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Exchange Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

THE EXCHANGE OFFER MEMORANDUM HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF EXCHANGE NOTES IN THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE UK PROSPECTUS REGULATION AND THE FSMA FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF EXCHANGE NOTES. THE EXCHANGE OFFER MEMORANDUM IS NOT A PROSPECTUS FOR THE PURPOSES OF THE UK PROSPECTUS REGULATION.

NEITHER THE ISSUER NOR THE DEALER MANAGERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF EXCHANGE NOTES IN CIRCUMSTANCES IN WHICH AN OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE DEALER MANAGERS TO PUBLISH A PROSPECTUS FOR SUCH OFFER.

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

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

The Exchange Offer Memorandum is for distribution only to, and is directed only at, persons who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Order**"), or (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order, or (iii) persons outside the United Kingdom; or (iv) persons who are within Article 43(2) of the Order (which includes an existing creditor of the Issuer and, therefore, includes the Existing Noteholders (as defined below)); or (v) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated, all such persons together being referred to as "Relevant Persons." The Exchange Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Exchange Notes will be engaged in only with, Relevant Persons. The Exchange Offer Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person. Any person who is not a Relevant Person should not act or rely on the Exchange Offer Memorandum or its contents. The Exchange Notes are not being offered to the public in the United Kingdom.

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

The Exchange Offer Memorandum has been addressed to you in an electronic form. You are reminded that documents transmitted electronically may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Dealer Managers, the Exchange and Information Agent, any person who controls the Issuer, the Dealer Managers or the Exchange and Information Agent, or any of their respective directors, officers, employees, affiliates nor agents accepts any liability or responsibility whatsoever in respect of any difference between the Exchange Offer Memorandum accessed by you in electronic format and any version that will be provided to you at a later date.

NOTICE TO INVESTORS IN JERSEY

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

CONFIDENTIAL
EXCHANGE OFFER MEMORANDUM

NOT FOR DISTRIBUTION
INTO THE UNITED STATES

Sherwood Financing plc

OFFER TO EXCHANGE

Senior Secured Floating Rate Notes due 2027;
and/or
4.500% Senior Secured Notes due 2026

for

Senior Secured Floating Rate Notes due 2029

THE EXCHANGE OFFER (AS DEFINED BELOW) WILL EXPIRE AT 4:00 P.M., LONDON TIME ON NOVEMBER 27, 2024 (THE "EXPIRATION TIME," AS SUCH DATE AND TIME, MAY BE AMENDED, EXTENDED, WITHDRAWN OR TERMINATED BY US IN OUR SOLE DISCRETION, SUBJECT TO APPLICABLE LAW). DETAILS OF ANY SUCH AMENDMENT, EXTENSION, WITHDRAWAL OR TERMINATION WILL BE NOTIFIED TO NOTEHOLDERS AS SOON AS REASONABLY PRACTICABLE AFTER SUCH DECISION.

ONLY ELIGIBLE HOLDERS WHO ARE DIRECT PARTICIPANTS MAY SUBMIT INSTRUCTIONS. EACH ELIGIBLE HOLDER THAT IS NOT A DIRECT PARTICIPANT MUST ARRANGE FOR THE DIRECT PARTICIPANT THROUGH WHICH SUCH EXISTING NOTEHOLDER HOLDS ITS EXISTING FLOATING RATE NOTES OR EXISTING EURO FIXED RATE NOTES TO SUBMIT AN INSTRUCTION ON ITS BEHALF TO THE RELEVANT CLEARING SYSTEM BEFORE THE DEADLINES SPECIFIED BY THE RELEVANT CLEARING SYSTEM, WHICH MAY BE EARLIER THAN THE DEADLINES SPECIFIED IN THIS EXCHANGE OFFER MEMORANDUM.

THE OCCURRENCE OF THE SETTLEMENT DATE WILL BE CONDITIONED UPON (I) THE COMPLETION OF THE ISSUE OF EXCHANGE NOTES AND NEW MONEY NOTES IN A COMBINED AGGREGATE PRINCIPAL AMOUNT EQUAL TO AT LEAST 75% OF THE OUTSTANDING AGGREGATE PRINCIPAL AMOUNT OF THE EXISTING NOTES (THE "MINIMUM CONDITION") AND (II) CERTAIN OTHER CUSTOMARY CONDITIONS AS DESCRIBED IN "*DESCRIPTION OF THE EXCHANGE OFFER—CONDITIONS TO THE EXCHANGE OFFER*" (TOGETHER, AS AMENDED, MODIFIED OR WAIVED BY THE ISSUER IN ITS SOLE DISCRETION, AND OTHER THAN THE MINIMUM CONDITION, THE "SETTLEMENT CONDITIONS" AND, EACH A "SETTLEMENT CONDITION").

Upon the terms and subject to the conditions set forth in this exchange offer memorandum (as it may be amended or supplemented, this "**Exchange Offer Memorandum**"), Sherwood Financing plc (the "**Issuer**"), hereby offers each Eligible Holder of the Issuer's floating rate senior secured notes due 2027 (the "**Existing Floating Rate Notes**") held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and 4.500% senior secured notes due 2026 (the "**Existing Euro Fixed Rate Notes**") held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702, in each case issued pursuant to the indenture, dated as of November 8, 2021 (as amended, the "**Existing Indenture**"), among, *inter alios*, the Issuer, Sherwood Parentco Limited (the "**Company**" or the "**Parent**"), the guarantors party thereto from time to time and GLAS Trust Company LLC, as trustee (in such capacity, the "**Existing Notes Trustee**"), the opportunity to exchange validly tendered (and not validly withdrawn) Existing Floating Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702 for new floating rate senior secured notes due 2029 (the "**Exchange Notes**"), to be issued under the New Indenture (as defined below) at an issue price of 100% of their aggregate principal amount. We refer to the offer to exchange Existing Floating Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702 as the "**Exchange Offer**."

Concurrently with this Exchange Offer, the Issuer is proposing to issue: (i) new senior secured floating rate notes due 2029 (the "**New Money Floating Rate Notes**"), (ii) new senior secured euro fixed rate notes due 2029 (the "**New Money Euro Fixed Rate Notes**") and (iii) new senior secured sterling fixed rate notes due 2029 (the "**New Money Sterling Fixed Rate Notes**" and, together with the New Money Floating Rate Notes and the New Money Euro Fixed Rate Notes, the "**New Money Notes**" and, together with the Exchange Notes, the "**New Notes**") in a separate offering (the "**New Money Notes Offering**"), in each case, for cash consideration, and under the indenture to be dated as of the Settlement Date (the "**New Indenture**"). The Exchange Notes and the New Money Floating Rate Notes, if any, will have identical terms and form a single class issued under the New Indenture on the Settlement Date. The Issuer intends to use the gross proceeds from the New Money Notes Offering to pay (i) the consideration for the Exchange Offer and the Tender Offers (as defined below) and (ii) the fees and expenses incurred in connection with the Transactions (as defined below).

Concurrently with this Exchange Offer and the New Money Notes Offering, the Issuer is also making an offer to eligible holders of the (i) Existing Floating Rate Notes, (ii) Existing Euro Fixed Rate Notes and (iii) Issuer's 6.000% Senior Secured Notes due 2026 (the "**Existing Sterling Fixed Rate Notes**" and, together with the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes, the "**Existing Notes**"), in each case, held in Regulation S global notes format, to tender such Existing Notes held in Regulation S global notes format for repurchase by the Issuer (the "**Tender Offers**"). It is expected that the New Money Notes Offering, the Exchange Offer and the Tender Offers will settle simultaneously on the Settlement Date.

The Exchange Offer

In exchange for each €1,000 in aggregate principal amount of Existing Floating Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 or Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702 that are validly tendered (and not validly withdrawn) on or prior to the Expiration Time and subject to the satisfaction or waiver of the Minimum Condition and the Settlement Conditions, Eligible Holders are entitled to receive a principal amount of the Exchange Notes (the "**Exchange Consideration**"), and the applicable cash consideration (the "**Cash Consideration**"), in each case, as set out in the table below.

Title of Security	Regulation S ISIN/Common Code	Aggregate Principal Amount Outstanding(1)	Exchange Consideration(2)	Cash Consideration(3)	Total Consideration	Final Acceptance Amount(4)
Senior Secured Floating Rate Notes due 2027	XS2010027535/201002753	€640,000,000	€1,000 in principal amount of Exchange Notes	To be determined by the Issuer and announced in accordance with the timeline provided herein	Sum of the Cash Consideration and the Exchange Consideration	To be determined by the Issuer and announced in accordance with the timeline provided herein
4.500% Senior Secured Notes due 2026	XS2010027022/201002702	€400,000,000	€1,000 in principal amount of Exchange Notes	To be determined by the Issuer and announced in accordance with the timeline provided herein	Sum of the Cash Consideration and the Exchange Consideration	To be determined by the Issuer and announced in accordance with the timeline provided herein

(1) The Aggregate Principal Amount Outstanding includes €622,035,000 aggregate principal amount of the Existing Floating Rate Notes held in Regulation S global notes format and €379,777,000 aggregate principal amount of the Existing Euro Fixed Rate Notes held in Regulation S global notes format, each as of November 20, 2024. For the avoidance of doubt, the Exchange Offer being made pursuant to this Exchange Offer Memorandum in respect of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes is only in respect of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and the ISIN XS2010027022 and Common Code 201002702, respectively. The outstanding aggregate principal amount of all Existing Floating Rate Notes is €640,000,000 and all Existing Euro Fixed Rate Notes is €400,000,000.

(2) Per €1,000 principal amount of such Existing Floating Rate Notes or Existing Fixed Rate Notes validly tendered for exchange (and not validly withdrawn) and accepted in the Exchange Offer (exclusive of any accrued and unpaid interest, which will be paid in addition to the Exchange Consideration to, but not including, the settlement date, which will occur following the Expiration Time (the "**Settlement Date**")).

(3) The Cash Consideration amount will be communicated by the Issuer prior to the Expiration Time. In addition to the applicable Cash Consideration, we shall pay the accrued and unpaid interest to, but excluding, the Settlement Date on the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes, as applicable, that are validly tendered and not validly withdrawn on or prior to the Expiration Time accepted in the Exchange Offer. The calculation of accrued and unpaid interest will be made by or on behalf of the Issuer and such calculations will be final and binding on the relevant Eligible Holders, absent manifest error.

(4) If the Issuer decides to accept for exchange valid tenders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, for Exchange Notes pursuant to the Exchange Offer, the final acceptance amount for the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes, as applicable (the "**Final Acceptance Amount**") will be determined by the Issuer at its sole and absolute discretion.

Participating Holders (as defined below) will receive the Total Consideration set out in the table above, which consists of the Exchange Consideration and the Cash Consideration. In addition, on the Settlement Date, accrued and unpaid interest up to, but not including, the Settlement Date on the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes, as applicable, accepted by the Issuer in the Exchange Offer will be paid in cash.

The Issuer will only accept tenders of (i) Existing Floating Rate Notes held in the Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753, as shown in the above table (the "**Regulation S Existing Floating Rate Notes**"), and (ii) Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702, as shown in the above table (the "**Regulation S Existing Euro Fixed Rate Notes**"). The Issuer will not accept tenders of (i) Existing Floating Rate Notes held in Rule 144A global notes format representing Existing Floating Rate Notes (the "**Rule 144A Existing Floating Rate Notes**") or (ii) Existing Euro Fixed Rate Notes held in Rule 144A global notes format representing Existing Euro Fixed Rate Notes (the "**Rule 144A Existing Euro Fixed Rate Notes**"). In order to participate in the Exchange Offer, Eligible Holders of Rule 144A Existing Floating Rate Notes must, in compliance with applicable securities laws, exchange such Rule 144A Existing Floating Rate Notes for such Regulation S Existing Floating Rate Notes and offer such Regulation S Existing Floating Rate Notes on or prior to the Expiration Time in the Exchange Offer, and Eligible Holders of Rule 144A Existing Euro Fixed Rate Notes must, in compliance with applicable securities laws, exchange such Rule 144A Existing Euro Fixed Rate Notes for such Regulation S Existing Euro Fixed Rate Notes and offer such Regulation S Existing Euro Fixed Rate Notes on or prior to the Expiration Time in the Exchange Offer.

On the Settlement Date, subject to the Minimum Condition and Settlement Conditions, including the Issuer's ability, in its sole discretion, to waive such conditions or terminate the Exchange Offer, the Issuer will, among other things, accept all Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered for exchange (and not validly withdrawn) pursuant to the Exchange Offer, enter into the New Indenture, issue the Exchange Notes in respect of such Existing Floating Rate Notes and Existing Euro Fixed Rate Notes tendered for exchange, and pay the Cash Consideration and accrued and unpaid interest on such Existing Floating Rate Notes and Existing Euro Fixed Rate Notes to, but not including, the Settlement Date. Existing Floating Rate Notes and Existing Euro Fixed Rate Notes that are exchanged for the Exchange Notes will be cancelled on the Settlement Date.

The Exchange Notes will not be fungible with any Existing Floating Rate Notes that remain outstanding following completion of the Transactions (the "**Outstanding Existing Floating Rate Notes**"). Accordingly, the Exchange Notes and the Outstanding Existing Floating Rate Notes (to the extent not fully exchanged and cancelled pursuant to the Exchange Offer), will trade under separate ISINs and Common Codes.

Other Terms and Conditions

The Existing Floating Rate Notes and Existing Euro Fixed Rate Notes once validly tendered pursuant to the Exchange Offer, can only be validly withdrawn on the terms and conditions set out in this Exchange Offer Memorandum. In particular, after the Withdrawal Deadline, Eligible Holders that have validly tendered their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes pursuant to the Exchange Offer will no longer be able to validly withdraw such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes. See "*Description of the Exchange Offer—Withdrawal of Tenders.*"

The Issuer will accept for exchange Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered for exchange by Eligible Holders pursuant to the Exchange Offer, subject to the conditions described herein, but reserves the right not to exchange any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes validly tendered for exchange pursuant to the Exchange Offer under certain circumstances described herein.

No Existing Floating Rate Notes or Existing Euro Fixed Rate Notes will be exchanged into Exchange Notes, no Exchange Notes will be delivered, and no payment of Cash Consideration will be paid if the Minimum Condition and the Settlement Conditions are not satisfied or waived or the Exchange Offer is terminated.

The tender of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in the Exchange Offer will constitute an express waiver, to the extent such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are accepted in the Exchange Offer and the Exchange Offer is consummated, by and as to the tendering Eligible Holder, with respect to any existing claims of such Eligible Holder against the Issuer or any Existing Guarantor (as defined herein) arising out of or relating to the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, including any past or contemporaneous breach of the Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes or the Existing Indenture (including any breach alleged in connection with the Exchange Offer) that may otherwise arise under the Existing Indenture (a "**Holder Waiver**"). For the avoidance of doubt, any Holder Waiver shall be effective solely as to the applicable delivering Eligible Holder, and not as to any other Eligible Holders.

The Issuer, in its sole discretion, reserves the right to waive any defects, irregularities or delays in connection with the Exchange Offer.

The Exchange Offer is being made, and the Exchange Notes, which have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), are being offered and issued, only to those holders of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes (the "**Existing Noteholders**") who are non-"U.S. Persons" (within the meaning of Regulation S under the Securities Act ("**Regulation S**")) who are not resident in the United States and are not located in or at any address in the United States in reliance on Regulation S (and, in relation to investors that are resident in a member state of the European Economic Area ("**EEA**") or the United Kingdom, not "retail investors" in the EEA or the United Kingdom) (each such Existing Noteholder, an "**Eligible Holder**"). The Exchange and Information Agent will require that Existing Noteholders certify that they are Eligible Holders in order for them to access the Exchange Offer Memorandum and participate in the Exchange Offer. Only Existing Noteholders who have certified that they are Eligible Holders are authorized to receive and review the Exchange Offer and to participate in the Exchange Offer.

The Exchange Notes

The terms of the Exchange Notes are described in this Exchange Offer Memorandum under "*Description of the New Notes*."

Interest on the Exchange Notes will accrue from the Settlement Date. The Issuer will pay interest on the Exchange Notes quarterly in arrears on each March 15, June 15, September 15, and December 15, commencing on March 15, 2025.

Prior to December 15, 2025 the Issuer will be entitled at its option to redeem all or a portion of the Exchange Notes at a redemption price equal to 100% of the principal amount of the Exchange Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, plus the applicable "make whole" premium as set forth in this Exchange Offer Memorandum. On or after December 15, 2025 the Issuer will be entitled at its option to redeem all or a portion of the Exchange Notes at the redemption prices set forth under the caption "*Description of the New Notes—Optional Redemption*," plus accrued and unpaid interest and Additional Amounts, if any.

On or about the Settlement Date, the Exchange Notes will be guaranteed jointly and severally on a senior basis by the Guarantors (as defined herein). The Guarantors will also guarantee the obligations under the New Money Notes, the New Revolving Credit Facility Agreement (as defined herein), certain hedging obligations, if any, and certain operating facilities, if any. In addition, the Guarantors, other than the Luxembourg Guarantor (as defined herein) will also guarantee the Outstanding Existing Notes, if any, on a senior secured basis and *pari passu* with the Note Guarantees of the New Notes (as defined herein) and the guarantees of the New Revolving Credit Facility Agreement. Any debt in respect of the Outstanding Existing Notes is subject to the equalization provisions in the Intercreditor Agreement (as defined herein) and the Outstanding Existing Notes will receive the indirect benefit of any claims made against the Luxembourg Guarantor. Subject to the operation of the Agreed Security Principles (as defined herein), the applicable Security Documents (as defined herein) and the grant of further Permitted Collateral Liens (as defined herein), on or about the Settlement Date, the Exchange Notes, will be secured by certain security granted in favor of the Security Agent (as defined herein) for the benefit of the secured parties (the "**Collateral**"). The Collateral (as defined herein) will also secure the obligations under the New Money Notes, the New Revolving Credit Facility Agreement, certain hedging obligations, if any, and certain operating facilities, if any, and the Outstanding Existing Notes. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the New Revolving Credit Facility Agreement, certain hedging obligations, if any, and certain operating facilities, if any, that are secured by the Collateral will receive priority with respect to any proceeds received upon any enforcement action over the Collateral.

Application will be made to The International Stock Exchange Authority Limited (the "**Authority**") for the Exchange Notes to be admitted to the Official List (the "**Official List**") of The International Stock Exchange (the "**Exchange**"). There can be no assurance that any such application will be successful or any such listing will be granted or maintained.

IF ELIGIBLE HOLDERS WISH TO PARTICIPATE IN THE EXCHANGE OFFER, AND THEIR EXISTING FLOATING RATE NOTES OR EXISTING EURO FIXED RATE NOTES, AS APPLICABLE, ARE HELD BY A CUSTODIAL ENTITY, SUCH AS A BANK, BROKER, DEALER, TRUST COMPANY OR OTHER NOMINEE, ELIGIBLE HOLDERS MUST INSTRUCT THAT CUSTODIAL ENTITY TO TENDER THEIR EXISTING FLOATING RATE NOTES OR EXISTING EURO FIXED RATE NOTES, AS APPLICABLE, ON THEIR BEHALF PURSUANT TO THE PROCEDURES OF THAT CUSTODIAL ENTITY. ELIGIBLE HOLDERS ARE ENCOURAGED TO CONTACT THEIR CUSTODIAL ENTITY AS SOON AS POSSIBLE TO GIVE IT SUFFICIENT TIME TO MEET THE REQUESTED DEADLINE.

AN INVESTMENT IN EXCHANGE NOTES INVOLVES SIGNIFICANT RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 159 FOR A DISCUSSION OF MATTERS YOU SHOULD CONSIDER.

NONE OF THE ISSUER, THE DEALER MANAGERS (AS DEFINED BELOW), THE TRUSTEES, THE EXCHANGE AND INFORMATION AGENT (AS DEFINED BELOW), ANY FINANCIAL, TAX OR LEGAL ADVISOR TO ANY OF THE FOREGOING, OR ANY OF THEIR RESPECTIVE AFFILIATES, MAKES ANY RECOMMENDATION AS TO WHETHER EXISTING NOTEHOLDERS SHOULD PARTICIPATE IN THE EXCHANGE OFFER, AND NONE OF THEM HAS AUTHORIZED ANY PERSON TO MAKE ANY SUCH RECOMMENDATION.

NEITHER OF THE TRUSTEES HAS INDEPENDENTLY VERIFIED NOR MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, NOR ASSUMES ANY RESPONSIBILITY, AS TO THE ACCURACY, VALIDITY, CORRECTNESS OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR ANY DOCUMENT PREPARED IN CONNECTION WITH THE EXCHANGE OFFER OR FOR ANY FAILURE BY THE ISSUER TO DISCLOSE EVENTS OR CIRCUMSTANCES WHICH MAY HAVE OCCURRED OR MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF ANY SUCH INFORMATION.

Lead Dealer Manager and Joint Global Co-Ordinator

J. P. Morgan

Joint Global Co-Ordinators and Co-Dealer Managers

Barclays **HSBC** **NatWest Markets**

Co-Dealer Managers

BofA Securities **Citigroup** **DNB Markets** **Goldman Sachs Bank Europe SE** **Lloyds Bank Corporate Markets plc**

November 21, 2024

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NOTICE TO INVESTORS

This Exchange Offer Memorandum contains important information concerning the Exchange Offer. You should read this Exchange Offer Memorandum (including the documents incorporated by reference herein) in its entirety before you make any decision regarding the Exchange Offer.

This Exchange Offer Memorandum is made available to Eligible Holders for informational use solely in connection with their consideration of the Exchange Offer described in this Exchange Offer Memorandum. Its use for any other purpose is not authorized.

This Exchange Offer Memorandum is being provided on a confidential basis to Eligible Holders of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes who have certified to the Issuer that they are non-"U.S. Persons" (within the meaning of Regulation S) who are not resident in the United States and are not located in or at any address in the United States in reliance on Regulation S (and, in relation to investors that are resident in a member state of the EEA or the United Kingdom, not "retail investors" in the EEA or the United Kingdom).

Use of this Exchange Offer Memorandum by any other persons is not authorized. The Exchange Notes offered hereby are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Exchange Notes will be engaged in only with, Eligible Holders. This Exchange Offer Memorandum may not be copied or reproduced in whole or in part, nor may it be distributed or any of its contents be disclosed to anyone other than Eligible Holders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes. By accepting delivery, you also acknowledge that this document contains confidential information and you agree that the use of this information for any purpose other than consideration of the Exchange Offer is strictly prohibited. If you have recently sold or otherwise transferred your entire holding of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, you should immediately inform one of the Dealer Managers.

In making your investment decision, you will be deemed to have made certain acknowledgements, representations and agreements as set forth in this Exchange Offer Memorandum under the caption "*Transfer Restrictions*." The Exchange Notes are subject to restrictions on transferability and resale. See "*Transfer Restrictions*." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

NONE OF THE ISSUER, THE DEALER MANAGERS, THE TRUSTEES, THE EXCHANGE AND INFORMATION AGENT, ANY FINANCIAL, TAX OR LEGAL ADVISOR TO ANY OF THE FOREGOING, OR ANY OF THEIR RESPECTIVE AFFILIATES, MAKES ANY RECOMMENDATION AS TO WHETHER HOLDERS OF THE EXISTING FLOATING RATE NOTES AND EXISTING EURO FIXED RATE NOTES SHOULD PARTICIPATE IN THE EXCHANGE OFFER, AND NONE OF THEM HAS AUTHORIZED ANY PERSON TO MAKE ANY SUCH RECOMMENDATION.

NEITHER OF THE TRUSTEES HAS INDEPENDENTLY VERIFIED OR MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, NOR ASSUMES ANY RESPONSIBILITY, AS TO THE ACCURACY, VALIDITY, CORRECTNESS OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR ANY DOCUMENT PREPARED IN CONNECTION WITH THE EXCHANGE OFFER OR FOR ANY FAILURE BY THE ISSUER TO DISCLOSE EVENTS OR CIRCUMSTANCES WHICH MAY HAVE OCCURRED OR MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF ANY SUCH INFORMATION. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS EXCHANGE OFFER MEMORANDUM AND OTHER ACCOMPANYING MATERIALS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER, EACH TRUSTEE, THE EXCHANGE AND INFORMATION AGENT OR ANY OTHER PERSON. THE DELIVERY OF THIS EXCHANGE OFFER MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE ON THE COVER PAGE HEREOF.

This Exchange Offer Memorandum does not constitute an offer to participate in the Exchange Offer from any person in any jurisdiction where it is unlawful to make such an offer and it does not constitute an offer from any person that is not an Eligible Holder. If you are not an Eligible Holder or if you are in the United States or another jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this Exchange Offer Memorandum as described in this Exchange Offer Memorandum are unlawful, or if you are a U.S. person or another person to whom it is unlawful to direct

these types of activities, then the Exchange Offer presented in this Exchange Offer Memorandum does not extend to you.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Exchange Notes or the possession, circulation or distribution of this Exchange Offer Memorandum or any other material relating to us or the Exchange Notes in any jurisdiction where action for that purpose is required. Accordingly, none of the Exchange Notes may be offered or delivered, directly or indirectly, and neither this Exchange Offer Memorandum nor any other offering material or advertisement in connection with the Exchange Notes may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Exchange Offer Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Exchange Offer, the distribution of this Exchange Offer Memorandum, and the resale of any of the Exchange Notes.

The Exchange Offer is being made on the basis of this Exchange Offer Memorandum in accordance with the terms and subject to the conditions described herein. Any decision to participate in the Exchange Offer must be based on the information contained in this Exchange Offer Memorandum or specifically incorporated herein by reference. In making an investment decision, prospective investors must rely on their own examination of us and the terms of the Exchange Offer and the Exchange Notes, including the merits and risks involved. Prospective investors should not construe anything in this Exchange Offer Memorandum as investment, legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and must comply with all applicable laws and regulations in force in any jurisdiction in which it participates in the Exchange Offer or in which it possesses or distributes this Exchange Offer Memorandum, and must obtain any consent, approval or permission required by it for participation in the Exchange Offer under the laws and regulations in force in any jurisdiction to which it is subject, and neither we, the Dealer Managers, Kroll Issuer Services Limited (the "**Exchange and Information Agent**"), any financial, tax or legal advisor to any of the foregoing, nor any of our or their respective representatives shall have any responsibility therefor. Without limiting the foregoing, you should carefully consider the tax consequences of participating in the Exchange Offer. See "*Tax Considerations.*"

This Exchange Offer Memorandum contains summaries with respect to the terms of certain documents, but reference is made to the actual documents for complete information. All summaries are qualified in their entirety by this reference. Copies of documents referred to herein will be made available to prospective investors upon request to the Issuer or the Exchange and Information Agent. The Exchange Notes will be available in book-entry form only. We expect that the Exchange Notes issued pursuant to this Exchange Offer Memorandum will be issued in the form of one or more global certificates, which will be deposited with, and registered in the name of a nominee of, Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the global certificates will be shown on and transfers of the global certificates will be effected only through records maintained by Euroclear or Clearstream (each, a "**Clearing System**" and, collectively, the "**Clearing Systems**") and their participants who are shown in the records of their respective clearing and settlement systems (each, a "**Direct Participant**"). After the initial issuance of the global certificates, applicable Exchange Notes in certificated form will be issued in exchange for the global certificates only as set forth in the New Indenture.

In order to participate in the Exchange Offer, you will be required to submit or arrange to have submitted or arranged on your behalf valid exchange instruction (an "**Exchange Instruction**") on or prior to the Expiration Time, in the form required by the relevant clearing system and in accordance with the procedures set forth below. There is no separate letter of transmittal in connection with the Exchange Offer or this Exchange Offer Memorandum. The Issuer reserves the right to reject any Exchange Instruction not received in the appropriate form.

Any Exchange Instruction will include an authorization to the Clearing Systems, as applicable, to block the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes so tendered, so that no transfers of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes may be effected at any time from and including the date on which such Existing Noteholder tendering its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes submits its Exchange Instruction until the earlier of (i) the time of settlement on the Settlement Date and (ii) the date of any termination of the Exchange Offer (including where such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are not accepted for exchange) or on which the Exchange Instruction is validly withdrawn.

An Existing Noteholder who is a Sanctions Restricted Person (as defined herein) may not participate in the Exchange Offer. No steps taken by a Sanctions Restricted Person to tender its Existing Floating Rate Notes or

Existing Euro Fixed Rate Notes for exchange pursuant to the Exchange Offer will be accepted and such Sanctions Restricted Person will not be eligible to receive Exchange Notes, the Cash Consideration, or any other amount payable in connection with the Exchange Offer in any circumstances.

You should be aware that none of the Issuer, the Dealer Managers, the Trustees, the Exchange and Information Agent, or any other person, or any of their respective affiliates, assumes any responsibility for technical or other difficulties you may encounter in submitting your Exchange Instruction.

You should rely only on the information contained in this Exchange Offer Memorandum. We have not, and have not, authorized anyone to provide you with information that is different from the information contained herein. You should not assume that the information contained in this Exchange Offer Memorandum is accurate as of any date other than the date on the front of this Exchange Offer Memorandum. We are not, and the Dealer Managers are not, making an offer of these securities in any jurisdiction where such offer is not permitted.

NOTICE TO INVESTORS IN THE UNITED STATES

The Exchange Notes and the Note Guarantees have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S). The Exchange Notes are being offered and sold only to non-"U.S. persons" (within the meaning of Regulation S) who are not resident in the United States and are not located in or at any address in the United States in reliance on Regulation S. For a description of certain restrictions on transfers of the Exchange Notes, see "*Transfer Restrictions*."

Neither the SEC, any U.S. state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this Exchange Offer Memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

Prohibition of Sales to Retail Investors in the EEA

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

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

NOTICE TO INVESTORS IN THE UNITED KINGDOM

Prohibition of Sales to Retail Investors in the United Kingdom

The Exchange Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565, as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129, as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014, as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK PRIIPs Regulation**") for offering or selling the Exchange Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Exchange Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation. This Exchange Offer Memorandum has been prepared on the basis that any offer of Exchange Notes in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation and the FSMA from the requirement to publish a prospectus for offers of notes. This Exchange Offer Memorandum is not a prospectus for the purposes of the UK Prospectus Regulation.

PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

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

This Exchange Offer Memorandum is for distribution only to, and is directed only at, persons who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Order**"), or (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order, or (iii) persons outside the United Kingdom, or (iv) persons who are within Article 43(2) of the Order (which includes an existing creditor of the Issuer and, therefore, includes the Existing Noteholders), or (v) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated, all such persons together being referred to as "Relevant Persons." The Exchange Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Exchange Notes will be engaged in only with, Relevant Persons. This Exchange Offer Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person. Any person who is not a Relevant Person should not act or rely on this Exchange Offer Memorandum or its contents. The Exchange Notes are not being offered to the public in the United Kingdom.

In connection with the Exchange Offer, the Dealer Managers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for providing advice in relation to the Exchange Offer.

FORWARD-LOOKING STATEMENTS

This Exchange Offer Memorandum contains "forward-looking statements" within the meaning of the securities laws of certain jurisdictions, including, without limitation statements regarding the Group's future financial position, risks and uncertainties related to the Group's business strategy, capital expenditure, industry forecasts, as well as certain statements made in the section under the captions "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry*," "*Business*" and in other sections. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, such as the words "believe," "could," "estimate," "anticipate," "expect," "intend," "may," "will," "plans," "continue," "ongoing," "potential," "predict," "project," "target," "seek," "should" or "would" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They may appear in a number of places throughout this Exchange Offer Memorandum and may include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industry in which we operate.

Such forward-looking statements are based on the Issuer's current expectations and projections about future events and are subject to a number of risks and uncertainties, including those identified in the section under the caption "*Risk Factors*" in this Exchange Offer Memorandum. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should carefully evaluate these factors before participating in the Exchange Offer and not place undue reliance on forward-looking statements.

Many factors, including the factors described in the section entitled "*Risk Factors*" in this Exchange Offer Memorandum, may cause our results of operations, financial condition, liquidity and the development of the industry in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this Exchange Offer Memorandum.

These factors include, among other things:

- macroeconomic and geopolitical factors;
- the lack of investment opportunities, the inability to source or service a sufficient quantum of investments at the required returns or a decline in the pace or size of investments, made by our current and future discretionary funds;
- intense competition with respect to fund investors and investment opportunities;
- failure to comply with applicable laws, regulations and codes of practice applicable to the fund management industry;
- failure to comply with the extensive regulatory requirements in the European jurisdictions in which we operate;
- failure to comply with applicable laws, regulations and codes of practice relating to debt purchase, collection, lending and asset management industries in the United Kingdom;
- changes to the legal and regulatory environment in the future in the jurisdictions in which we operate or an increasing volume of legislation may materially impede our business and/or increase our costs;
- risks incidental to our Funds' ownership and operation of real estate;
- conflicts of interest including, but not limited to, conflicts of interests between our Funds and between the Fund Managers and the general partners;
- inability to perform our duties as a fund manager or raise future funds from third-party LP investors;
- failure to comply with voluntary codes of conduct;
- improper disclosure of our clients' sensitive data, consumer data or a breach of data protection laws;

- additional regulation, regulatory scrutiny, penalties or enforcement in the future concerning our ESG framework;
- failure to assess the investment risk of the different portfolio investments or mitigate the impact of investment risk changes on our Funds;
- failure to achieve our strategic objectives and to design and implement a target operating model in line with our strategic objectives;
- failure to procure sufficient funding to purchase further portfolios as they become available on acceptable terms or at all;
- inaccuracies relating to the statistical and non-statistical models and analytical tools we use in our business, including in our calculation of ERC and Net Deal IRR;
- reliance on our data analytics systems and proprietary customer profiles;
- failure to maintain key relationships necessary to conduct our business;
- third-party performance or failure to comply with applicable laws and regulatory requirements;
- delay in realizing cash returns on our and our Funds' investments;
- growth straining our resources, affecting our ability to maintain our levels of collections or our ability to implement effective portfolio pricing standards;
- unsuccessful acquisitions or pursue joint ventures, business combinations or other investments;
- companies that we or our Funds have acquired, are in the process of acquiring, or may acquire in the future, having liabilities that are not known to us that could subject us to liabilities or contingent liabilities that could otherwise have an adverse impact on us, and failure of seller indemnity to compensate us in full or at all;
- dependence upon access to, and the functioning and security of, IT applications, systems and infrastructure;
- failure of confidentiality agreements to protect proprietary processes and systems;
- risks and uncertainties related to the development and use of AI;
- outsourcing of core IT applications, systems and infrastructure to third-party service providers and difficulty identifying and retaining suitable alternative service providers;
- inability to successfully anticipate, manage or adopt technological changes within the debt purchase, lending, fund and asset management and the financial services industries;
- customers' changing circumstances and changes to real-estate markets;
- uneven portfolio supply patterns preventing us or our Funds from pursuing purchasing opportunities;
- errors in our collection process or other operational matters;
- negative attention and news regarding the debt purchase and collection industry and our business;
- retention of senior management team members and key employees;
- increases in labor costs, potential labor disputes and work stoppages;
- failure to obtain accurate and authentic account documents for some of the accounts that we purchase in pursuing legal collections;

- anti-corruption, anti-money laundering and terrorist financing, anti-bribery, trade sanction laws and other regulatory requirements;
- examinations and challenges by tax authorities, or changes in tax laws or regulations, or the application thereof;
- ongoing risks of litigation, investigations and proceedings, including under consumer credit and collections, for our investment activities and other laws;
- failure to develop, implement, monitor and enforce risk and compliance policies causing us to be held liable for acts of third parties;
- use of estimates and assumptions in the preparation of our consolidated financial statements;
- fluctuations in foreign exchange rates;
- failure to enter into or maintain appropriate insurance agreements;
- unexpected risks and potential losses related to derivative transactions;
- broad investment guidelines providing our Fund Manager entity with a wide range of potential investments and increasing or significantly varying our Funds' investment risk exposure;
- use of the Combined 2021 Financial Information, unaudited adjusted annualized data and other financial information not prepared in accordance with IFRS;
- risks and uncertainties related to the use of forward-looking statements, certain projections, targets and assumptions in forecasts;
- risks relating to our financial profile, the Exchange Notes and the Guarantees; and
- risks relating to our structure.

These risks and others described under "*Risk Factors*" are not exhaustive. We do not assume any obligation, and do not intend, to update any forward-looking statements and disclaim any obligation to update our view of any risks or uncertainties described herein or to publicly announce the result of any revisions to the forward-looking statements made in this Exchange Offer Memorandum, except as required by law. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this Exchange Offer Memorandum. As a result, you should not place undue reliance on forward-looking statements. Other sections of this Exchange Offer Memorandum describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

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

In addition, this Exchange Offer Memorandum contains information concerning our industry generally, which is forward-looking in nature and based on a variety of assumptions regarding the ways in which our industry will develop. We have based these assumptions on information currently available to us, including through the market research and industry reports referred to in this Exchange Offer 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 Exchange Notes.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, statements in this Exchange Offer Memorandum regarding the market environment, market developments, growth rates, market trends and the competitive situation in the geographical markets and the segments in which we operate are based on data, statistical information, sector reports and third-party studies as well as on our own estimates.

The market and competitive position data in the sections "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry*" and "*Business*" of this Exchange Offer Memorandum are estimates by management based on industry publications, and from surveys or studies conducted by third-party industry data providers that are generally believed to be reliable (collectively, the "**Industry Data Providers**"). However, the accuracy and completeness of such information is not guaranteed and has not been independently verified. Unless otherwise stated, industry data in this Exchange Offer Memorandum from Industry Data Providers was sourced at various points in time and reflects the data available at such point in time and does not reflect further updates after it was sourced. Additionally, industry publications and such studies generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed and in some instances the sources do not assume liability for such information. We have obtained certain of the market and industry data presented in this Exchange Offer Memorandum from reports produced by Industry Data Providers, such as Preqin, Eurostats, Statista and EBA Risk Dashboard, which allow us to reproduce certain of their non-public data in this Exchange Offer Memorandum. Market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is by nature forward-looking and speculative. We cannot assure you of the accuracy and completeness of such data, and we have not independently verified such market data and such data should not be relied upon in making, or refraining from making, any investment decision.

To the extent that information was taken from third parties, we do, however, accept responsibility for the correct reproduction of this information and, as far as we are aware and able to ascertain from the information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is by nature forward-looking and speculative. We have not verified third-party figures, market data and other information used by us in our studies, publications and financial information, or the external sources on which our estimates are based. We therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third-party sources contained in this Exchange Offer Memorandum or for the accuracy of data on which our estimates are based.

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

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

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

This Exchange Offer Memorandum also contains estimations of market data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on our own market observations, the evaluation of industry information (such as from conferences and sector events) or internal assessments. We believe that our estimates of market data and the information we have derived from such data helps investors to better understand the industry we operate in and our position within it. Our own estimates have not been checked or verified externally. We nevertheless believe that our own market observations are reliable. We give no warranty for the accuracy of our own estimates and the information derived from them. They may differ from estimates made by our competitors or from future studies conducted by market research institutes or other independent sources.

AVAILABLE INFORMATION

Copies of the Existing Indenture, the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes may be requested from the Issuer. Copies of this Exchange Offer Memorandum will be made available upon request from the Exchange and Information Agent. Unless stated otherwise, announcements in connection with the Exchange Offer will be made through a press release to be distributed through the Clearing Systems for communication to persons who are shown in the records of the Clearing Systems as Eligible Holders of Existing Floating Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702. Copies of all such announcements, press releases and notices can also be obtained from the Exchange and Information Agent, the contact details for which are on the last page of this Exchange Offer Memorandum.

The Issuer may have delivered, pursuant to the Existing Indenture, certain reports to the Existing Notes Trustee and has made certain information available on its website.

None of the Dealer Managers, the Exchange and Information Agent or the Trustees take any responsibility for the accuracy or completeness of the information contained in such documents and records, or for any failure by the Issuer to disclose events or circumstances which may have occurred or may affect the significance or accuracy of any such information. Each Dealer Manager and each of the Trustees will be entitled to rely solely and conclusively, without further investigation, on the certification of the Exchange and Information Agent and the Issuer that the Minimum Condition has been satisfied.

Each Eligible Holder participating in the Exchange Offer will be furnished with a copy of this Exchange Offer Memorandum and any related amendments or supplements to this Exchange Offer Memorandum. Each person receiving this Exchange Offer Memorandum and any related amendments or supplements to this Exchange Offer Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from the Issuer, and to review and has received all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained herein;

(2) such person has not relied on the Dealer Managers or any person affiliated with any of the Dealer Managers in connection with its investigation of the accuracy of such information or its decision to invest in the Exchange Notes and the Note Guarantees; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Exchange Notes and the Note Guarantees offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Dealer Managers.

The Issuer is not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Existing Indenture, the Issuer has agreed, and pursuant to the New Indenture the Issuer will agree, to furnish periodic financial and other information to holders of the Exchange Notes. See "*Description of the New Notes—Certain Covenants—Reports*" and "*Listing and General Information.*" Furthermore, for so long as any of the Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes or Exchange Notes are restricted securities within the meaning of Rule 144(a)(3) under the Securities Act and the Issuer is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, it will, upon the request of any such person, furnish to any holder or beneficial owner of Existing Floating Rate Notes, Existing Euro Fixed Rate Notes or Exchange Notes, as applicable, 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 Securities Act.

Information contained on our website, or any other weblink accessible via this Exchange Offer Memorandum, is not incorporated by reference into this Exchange Offer Memorandum and does not form a part of this Exchange Offer Memorandum.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Exchange Offer Memorandum and, if given or made, such information or representation may not be relied upon as having been authorized by the Issuer or its affiliates or any of the Dealer

Managers, or any of their respective affiliates, the Exchange and Information Agent or the Existing Notes Trustee or the New Notes Trustee.

Neither of the Trustees takes responsibility for the accuracy or completeness of the information contained in such documents and records, or for any failure by the Issuer to disclose events or circumstances which may have occurred or may affect the significance or accuracy of any such information. Each of the Trustees will be entitled to rely solely and conclusively, without further investigation, on the certification of the Exchange and Information Agent and the Issuer that the Minimum Condition has been satisfied.

QUESTIONS AND ANSWERS RELATING TO THE EXCHANGE OFFER

These answers to questions that you may have as a holder of Existing Floating Rate Notes and/or Existing Euro Fixed Rate Notes are highlights of selected information included elsewhere in this Exchange Offer Memorandum. To fully understand the Exchange Offer and the other considerations that may be important to your decision about whether to participate, you should carefully read this Exchange Offer Memorandum in its entirety, including the section entitled "Risk Factors."

Q: Who is an Eligible Holder?

A: Existing holders of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes who are non-"U.S. persons" (within the meaning of Regulation S under the Securities Act) and who are not resident in the United States and are not located in or at any address in the United States, in reliance on Regulation S under the Securities Act (and, in relation to investors that are resident in a member state of the EEA or the United Kingdom, not "retail investors" in the EEA or the United Kingdom).

Furthermore, a Sanctions Restricted Person may not participate in the Exchange Offer.

Q: What shall I do if I am not an Eligible Holder?

A: Holders of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes who are not Eligible Holders may not participate in the Exchange Offer.

Q: What are you asking Eligible Holders to do?

A: The Issuer is asking each Eligible Holder of the Issuer's Existing Floating Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 (the "**Regulation S Existing Floating Rate Notes**") and its Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702 (the "**Regulation S Existing Euro Fixed Rate Notes**") to exchange such Existing Floating Rate Notes validly tendered (and not validly withdrawn) for the Exchange Notes.

Q: Why is the Issuer proposing the Exchange Offer?

A: The Issuer is proposing the Exchange Offer as part of a proactive liability management program, and it is expected to result in the extension of a significant proportion of maturities related to the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes. The proposed Exchange Offer is consistent with the Issuer's strategy of extending average debt maturities of the Group.

Q: What consideration is the Issuer offering to Eligible Holders participating in the Exchange Offer?

A: The Issuer is making an offer to Eligible Holders to exchange for each €1,000 principal amount of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes validly tendered and not validly withdrawn and accepted in the Exchange Offer, €1,000 principal amount of Exchange Notes, *plus* the Cash Consideration and the relevant accrued and unpaid interest.

Q: How do Eligible Holders benefit from participating in the Exchange Offer?

A: None of the Dealer Managers or the Trustees is making any recommendation as to whether or not you should tender Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange. You should make your own investigation and analysis of the creditworthiness of the Issuer and your own determination of the suitability of such investment, with particular reference to your own investment objectives and experience, and any other factors that may be relevant to you in connection with such investment.

Q: What will happen to my Existing Floating Rate Notes and Existing Euro Fixed Rate Notes if I do not participate in the Exchange Offer?

A: You are not required to offer your Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange pursuant to the Exchange Offer. You can opt to continue to hold your Existing Floating Rate Notes and Existing Euro Fixed Rate Notes as per the terms applicable to them.

Q: What is likely to happen if the Exchange Offer is not completed?

A: The Existing Floating Rate Notes and Existing Euro Fixed Rate Notes will continue to remain outstanding as per the terms applicable to them. The Issuer will continue to assess its financing options and monitor the capital markets with a view to extending its average debt maturities and proactively managing its debt profile.

Q: May I offer for exchange only a portion of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes that I hold?

A: Yes. Eligible Holders may tender a portion of their Regulation S Existing Floating Rate Notes or Regulation S Existing Euro Fixed Rate Notes in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Issuer reserves the right to reject or adjust any electronic instruction notice that would result in an issuance of Exchange Notes with a principal amount of less than €100,000 or not in integral multiples of €1,000 in excess thereof; no cash will be paid in lieu of any principal amount of Exchange Notes not received as a result of rounding down.

Eligible Holders who do not tender all of their Regulation S Existing Floating Rate Notes or Regulation S Existing Euro Fixed Rate Notes, as applicable, should ensure they retain a principal amount of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, amounting to at least the applicable required minimum denomination.

Q: Who is making the Exchange Offer?

A: The Exchange Offer is being made by the Issuer and the Exchange Notes will be issued by the Issuer.

Q: How do the Exchange Notes differ from the Existing Floating Rate Notes?

A: The terms of the Exchange Notes are substantially similar to the terms of the Existing Floating Rate Notes. However, the Exchange Notes will have different pricing terms, including a different issue date, a different interest rate, a different optional redemption schedule and a longer maturity date. In addition, the Guarantees and Collateral supporting the Exchange Notes will include a Guarantee and Collateral from the Luxembourg Guarantor. Such Luxembourg Guarantor will not guarantee the Existing Floating Rate Notes. In addition, the guarantees and collateral granted by Quest Topco Limited, Quest Bidco Limited and Quest Newco Limited, which support the Existing Floating Rate Notes, will not be extended to also support the Exchange Notes, as following the sale of business and/or assets held by such entities, such entities are non-trading holding companies without any material assets or liabilities. See "*Description of the New Notes.*"

Q: Can all holders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes participate in the Exchange Offer?

A: No. The Exchange Offer is only open to Eligible Holders of Regulation S Existing Floating Rate Notes and Regulation S Existing Euro Fixed Rate Notes. Furthermore, a Sanctions Restricted Person may not participate in the Exchange Offer.

Q: I am unable, for fund constitutional or governance reasons, to validly tender my Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in the Exchange Offer. Is there an option to abstain from participating in the Exchange Offer?

A: Yes. Certain Eligible Holders of the Existing Floating Rate Notes may be unable, for fund constitutional or governance reasons, to validly tender their Existing Floating Rate Notes in the Exchange Offer (each such Eligible Holder, a "**Specific CLO Holder**"). Each Specific CLO Holder may submit, or arrange to have submitted on its behalf, an Exchange Instruction by which it explicitly abstains from participating in the Exchange Offer for fund constitutional or governance reasons, but in which it acknowledges that in the event the Exchange Offer is successfully completed (in the sole determination of the Issuer), it will be deemed to be a Participating Holder and its Existing Floating Rate Notes will be exchanged in the Exchange Offer (each such Specific CLO Holder, an "**Abstaining Holder**" and each such Exchange Instruction, an "**Abstention Instruction**"). When submitting such Abstention Instruction via the relevant Clearing System, an Eligible Holder (or the relevant Direct Participant on its behalf) must follow the procedures described in the relevant Clearing

System Notice as being applicable to "Option 2 – Abstention Instruction". For further information, see "*Description of the Exchange Offer.*"

Q: Are there any other conditions to consummation of the Exchange Offer?

A: Yes. The Exchange Offer is subject to the Minimum Condition as well as certain other certain other customary Settlement Conditions. The Issuer may waive any such condition prior to the Settlement Date. See "*Summary of the Exchange Offer.*"

Q: Are any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes held by a Group company?

A: No.

Q: How do Eligible Holders participate in the Exchange Offer?

A: Only Eligible Holders may submit instructions through the Direct Participants (as defined below) to the relevant Clearing Systems. All instructions must be submitted in accordance with the procedures established by the relevant Clearing System, which will include an authorization to the relevant Clearing System to block the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes so tendered so that no transfers may be effected in relation to such Existing Floating Rate Notes and Existing Euro Fixed Rate Notes at any time from and including the date on which such Participating Holder submits its Exchange Instruction until the Settlement Date.

If Eligible Holders wish to participate in the Exchange Offer, and their Existing Floating Rate Notes and Existing Euro Fixed Rate Notes are held by a custodial entity, such as a bank, broker, dealer, trust company or other nominee, Eligible Holders must instruct that custodial entity to tender their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes on their behalf pursuant to the procedures of that custodial entity. Eligible Holders are encouraged to contact their custodial entity as soon as possible to give it sufficient time to meet the requested deadline.

When submitting an Exchange Instruction via the relevant Clearing System, a Noteholder (or the relevant Direct Participant on its behalf) must follow the procedures described in the relevant Clearing System Notice as being applicable to "Option 1 – Exchange Instruction". If an Eligible Holder (or the relevant Direct Participant on its behalf) is a Specific CLO Holder and wants to send an Abstention Instruction, it must follow the procedures described in the relevant Clearing System Notice as being applicable to "Option 2 – Abstention Instruction".

Q: Can I withdraw my tendered Existing Floating Rate Notes and Existing Euro Fixed Rate Notes offered for exchange?

A: Tenders of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes pursuant to the Exchange Offer may be validly withdrawn at any time on or prior to the Expiration Time. Instructions submitted by an Eligible Holder pursuant to the Exchange Offer are irrevocable and cannot be withdrawn following the Withdrawal Deadline except in the limited circumstances described under the heading "*Description of the Exchange Offer—Withdrawal of Tenders*."

Q: Who can I contact with questions about tendering Existing Floating Rate Notes and Existing Euro Fixed Rate Notes for exchange?

A: If you have any questions in connection with the delivery of the Exchange Instruction, you should contact the Exchange and Information Agent. If you would like copies of any of the documents referred to in this Exchange Offer Memorandum, you should contact the Exchange and Information Agent. See "*Available Information*." If you have any questions on the other matters relating to the Exchange Offer, you should contact the Dealer Managers at their telephone numbers or addresses on the back cover of this Exchange Offer Memorandum.

CERTAIN DEFINITIONS

Key Performance Indicators (KPIs) and Other Non-IFRS Metrics

"**84-Month ERC**" and "**120-Month ERC**" (together, "**ERC**") means our estimated remaining Balance Sheet Cash Collections on portfolio investments over an 84-month or 120-month period, respectively, representing the expected future Balance Sheet Cash Collections on portfolio investments over an 84-month or 120-month period (calculated at the end of each month, based on our proprietary ERC forecasting model, as amended from time to time);

"**Adjusted EBITDA**" represents profit/(loss) for the year adjusted to exclude the effects of finance income and costs, taxation credit/(charge) on ordinary activities, derivative fair value movements, portfolio amortization, depreciation and amortization, foreign exchange gains/(losses), net (profit)/loss on disposal of intangible assets and property, plant and equipment, profit on disposal of subsidiary, profit on disposal of held for sale assets and liabilities, share-based profit in associates, excluding adjusting items, loss on reclassification to held for sale and certain operating adjusting items;

"**Adjusted Free Cash Flow**" represents Adjusted EBITDA less cash interest, income taxes and overseas taxation paid and amounts paid for the purchase of property, plant and equipment and intangible assets;

"**Capital-light businesses' percentage of EBITDA**" represents EBITDA of the Integrated Fund Management segment as a percentage of our total EBITDA;

"**Funds under management**" or "**FUM**" represents the value of all fund management assets and commitments managed by us, including ACO I, ACO II, AREO I, Norfin, Europa Investimenti, Sagitta, Maslow and any of our own capital which we have committed to invest alongside third parties committed capital;

"**Leverage**" represents the ratio of Secured Net Debt to Adjusted EBITDA;

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

"**Net Debt**" represents the sum of the outstanding principal amount of the Existing Notes, amounts outstanding under the Existing Revolving Credit Facility, the Non-Recourse Facilities, the Miscellaneous Facilities and deferred consideration payable in relation to the acquisition of portfolio investments and subsidiaries and associates, less cash and cash equivalents; and

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

Other Definitions

In addition, unless otherwise indicated or where the context otherwise requires, references to:

"**Abstaining Holder**" means any Specific CLO Holder that submits, or arranges to have submitted on its behalf, an Abstention Instruction which deems that such Holder explicitly abstains from participating in the Exchange Offer for fund constitutional or governance reasons, but which it acknowledges that in the event the Exchange Offer is successfully completed (in the sole determination of the Issuer), it will be deemed to be a Participating Holder and its Existing Floating Rate Notes will be exchanged in the Exchange Offer;

"**Abstention Instruction**" means an Exchange Instruction submitted by Abstaining Holder in accordance with the procedures described in the relevant Clearing System Notice as being applicable to "Option 2 – Abstention Instruction"

"**ACO I**" means Arrow Credit Opportunities I;

"**ACO II**" means Arrow Credit Opportunities II;

"**Acquisition**" are to the acquisition by Bidco of control of Arrow Global Group plc pursuant to a scheme of arrangement, which was arrangement completed on October 11, 2021;

"**Agreed Security Principles**" are to the agreed security principles as set out in an annex to the New Revolving Credit Facility Agreement, as applied reasonably and in good faith in respect of the Exchange Notes by the board of directors or an officer of the Parent;

"**ALO I**" means Arrow Lending Opportunities I;

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

"**AREO I**" means Arrow Real Estate Opportunities I;

"**AREO II**" means Arrow Real Estate Opportunities II;

"**AuM**" means assets under management;

"**Authority**" is to The International Stock Exchange Authority Limited;

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

"**Business Day**" means a day (other than a Saturday or a Sunday) on which the Clearing Systems as well as all relevant parts of real-time gross settlement system (T2) operated by the Eurosystem (or any successor thereto) is open for the settlement of payments in euro and pounds Sterling within the Eurozone and the United Kingdom;

"**CCA**" means the UK Consumer Credit Act 1974 and related secondary legislation (as amended);

"**Clearing Systems**" are to Euroclear and Clearstream;

"**Clearstream**" are to Clearstream Banking S.A.;

"**CMA**" are to the UK Competition and Market Authority;

"**Collateral**" are to the security interests that secure or will secure the obligations of the Issuer and the Guarantors under the New Indenture, the New Notes, the New Revolving Credit Facility Agreement, the Outstanding Existing Notes, if any, certain hedging obligations, if any, and certain operating facilities, if any. See "*Description of the New Notes—Security—The Collateral*.";

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

"**CONC**" means the FCA's Consumer Credit sourcebook;

"**CSA**" means the UK Credit Services Association;

"**DBSG**" means the UK Debt Buyers and Sellers Group;

"**DCA**" or "**debt servicer**" means a provider of debt collection services;

"**Direct Participants**" are to financial institutions that, as a direct participant in Euroclear or Clearstream, holds an interest in the Existing Floating Rate Notes and/or Existing Euro Fixed Rate Notes via book-entry in the records of Euroclear or Clearstream, as applicable, for its own account or directly or indirectly on behalf of a holder of Existing Floating Rate Notes or Existing Euro Fixed Notes, as applicable;

"**EEA**" are to the European Economic Area;

"**EU**" are to the European Union;

"**Euroclear**" are to Euroclear Bank SA/NV;

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

"**Exchange**" are to The International Stock Exchange;

"**Exchange Act**" are to the U.S. Securities Exchange Act of 1934, as amended;

"**Exchange Instructions**" are to the electronic blocking instruction in the form specified in the Clearing System Notice for submission by Direct Participants to the Exchange and Information Agent via the relevant Clearing System and in accordance with the requirements of such Clearing System by the relevant deadlines in order for Eligible Holders to be able to participate in the Exchange Offer. The Exchange Instruction submitted under "Option 1 – Exchange Instruction" and the Abstention Instruction submitted under "Option 2 – Abstention Instruction" will each constitute an Exchange Instruction;

"**Exchange Notes**" are to the new floating rate senior secured notes due 2029 offered hereby;

"**Exchange Offer**" is to the offer made hereby to exchange the Existing Floating Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 for Exchange Notes and Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702;

"**Existing Euro Fixed Rate Notes**" are to the Issuer's 4.500% senior secured notes due 2026 issued pursuant to the Existing Indenture;

"**Existing Floating Rate Notes**" are to the Issuer's floating rate senior secured notes due 2027 issued pursuant to the Existing Indenture;

"**Existing Guarantors**" are to the guarantors of the Existing Notes, which include the Guarantors (other than Arrow Global Luxembourg Holding S.à r.l.) and Quest Topco Limited, Quest Bidco Limited and Quest Newco Limited (which are not Guarantors) of the Exchange Notes;

"**Existing Indenture**" are to the indenture governing the terms of the Existing Notes, among, *inter alios*, the Issuer, the Parent, the Guarantors and the Existing Notes Trustee dated November 8, 2021;

"**Existing Noteholders**" are to Holders of the Existing Floating Rate Notes;

"**Existing Notes**" are to the Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes and the Existing Sterling Fixed Rate Notes, collectively;

"**Existing Notes Trustee"** are to GLAS Trust Company LLC, as trustee under the Existing Indenture;

"**Existing Revolving Credit Facility Agreement**" are to the revolving credit facility agreement, dated October 6, 2021 entered into among, *inter alios*, the Parent, Finco as original borrower, Global Loan Agency Services Limited as the agent and the Security Agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time;

"**Existing Sterling Fixed Rate Notes**" are to the Issuer's 6.000% senior secured notes due 2026 issued pursuant to the Existing Indenture;

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

"**GDPR**" means Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation);

"**GEN**" means the FCA's General Provisions;

"**Group**" are to the Company and its Restricted Subsidiaries;

"**Guarantors**" are, collectively, to the Parent, Finco, Bidco, Arrow Global Group Limited, Arrow Global One Limited, Arrow Global Guernsey Holdings Limited, Arrow Global Investments Holdings Limited, Arrow

Global (Holdings) Limited, Arrow Global Limited, Arrow Global Investments Holdings Benelux B.V., Fiditon Holding B.V., Incassobureau Fiditon B.V., Arrow SMA LP Limited, Arrow SMA GP Limited, Arrow Global SMA I LP, AGHL Portugal Investments Holdings, S.A., Whitestar Asset Solutions, S.A., and Arrow Global Luxembourg Holding S.à r.l.;

"**IAS**" are to the International Accounting Standards as issued by the International Accounting Standards Board which were replaced in 2001 by IFRS;

"**ICO**" means the UK Information Commissioner's Office;

"**IFRS**" are to the International Financial Reporting Standards as adopted by the European Union;

"**Intercreditor Agreement**" are to the intercreditor agreement originally dated October 6, 2021, as amended and restated in connection with the Transactions and as further amended and/or restated from time to time, among, *inter alios*, the Parent, Finco, Bidco, the Issuer, the Security Agent and (upon accession) the New Notes Trustee;

"**Investment Company Act**" are to the U.S. Investment Company Act of 1940, as amended;

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

"**Investment Portfolio Sellers**" are to Investment Portfolio Originators and Secondary Sellers;

"**Issuer**" are to Sherwood Financing plc, a wholly owned subsidiary of the Parent incorporated under the laws of England and Wales as a public limited company;

"**LP**" and "**Limited Partner**" means a limited partner investor in the Funds;

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

"**Luxembourg Guarantor**" are to Arrow Global Luxembourg Holding S.à r.l., a private limited liability company (*société à responsabilité limitée*) under the laws of Luxembourg, which will be a Guarantor;

"**Mars Capital Ireland**" means Mars Capital Finance Ireland Designated Activity Company, an authorized credit servicing firm with operations in Ireland;

"**Mars Capital UK**" means Mars Capital Finance Limited, a mortgage servicing business with operations in the United Kingdom;

"**Member State**" means a member state of the European Union;

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

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

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

"**Miscellaneous Facilities**" refers to various miscellaneous debt factoring and uncommitted overdraft facilities provided by certain financial institutions in relation to the Group's cash management and other administrative requirements in the territories in which the Group operates. The Miscellaneous Facilities will remain outstanding on the Settlement Date and, as of September 30, 2024, had a cumulative carrying value of £21.9 million. For further details, see "*Description of Other Indebtedness—Miscellaneous Facilities*";

"**New Indenture**" are to the indenture to be dated as of the Settlement Date, pursuant to which the New Notes will be issued;

"**New Notes**" are to the Exchange Notes and the New Money Notes;

"**New Notes Trustee**" are to GLAS Trust Company LLC, as trustee under the New Indenture;

"**New Revolving Credit Facility Agreement**" are to the revolving credit facility agreement, to be dated on or about the Settlement Date and entered into among, *inter alios*, the Parent as parent, Finco, Arrow Global Limited and Arrow Global Investments Holdings Benelux B.V. as original borrowers, Global Loan Agency Services Limited as the agent and the Security Agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time;

"**New Revolving Credit Facility**" are to the revolving credit facility made available under the New Revolving Credit Facility Agreement;

"**Note Guarantees**" are to the senior secured guarantees of the Exchange Notes by the Guarantors pursuant to the New Indenture;

"**Offer Website**" are to the dedicated website operated by the Exchange and Information Agent for the purpose of the Exchange Offer: https://deals.is.kroll.com/sherwood;

"**Outstanding Existing Euro Fixed Rate Notes**" are to the Existing Euro Fixed Rate Notes outstanding following the completion of the Transactions;

"**Outstanding Existing Floating Rate Notes**" are to the Existing Floating Rate Notes outstanding following the completion of the Transactions;

"**Outstanding Existing Notes**" are to the Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes and the Existing Sterling Fixed Rate Notes, in each case, outstanding following the completion of the Transactions;

"**OFT**" means the UK Office of Fair Trading;

"**Participating Holders**" are to Eligible Holders that have validly submitted (and not validly withdrawn) an Exchange Instruction on or prior to the Expiration Time in order to participate in the Exchange Offer;

"**Paying Account**" means an account that has shown at least one payment over the last three months or at least two payments over the last six months;

"**Paying Agent**" are to GLAS Trust Company LLC;

"**PRIN**" means the FCA's Principles for Businesses;

"**Qualified Institutional Buyers**" are to Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act;

"**Qualified Purchasers**" are to Qualified Purchasers as defined in Section 2(a)(51) of the Investment Company Act;

"**RAO**" means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 001/544);

"**Regulation S**" are to Regulation S under the Securities Act;

"**Restricted Group**" are to, collectively, the Parent and its Restricted Subsidiaries;

"**Restricted Subsidiaries**" are to any Subsidiary of the Parent other than an Unrestricted Subsidiary;

"**Rule 144A**" are to Rule 144A under the Securities Act;

"**Sanctions Restricted Person**" are to (a) a person who is, or is owned or controlled by a person who is, described or designated as a "specially designated national" or "blocked person" in the most current U.S. Treasury Department list of "Specially Designated National and Blocked Persons" or an entity included in the Sectoral Sanctions Identifications List or in the EU and UK Consolidated Lists of financial sanctions; or (b) a person that is organized, resident or located in a jurisdiction or other territory that is, or was at the relevant time, subject to comprehensive or country-wide economic sanctions (including, without limitation, Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the so-called People's Republics of Luhansk and Donetsk, and the Kherson and Zaporizhzhia regions of Ukraine) or (c) currently subject to, or in violation of, (x) any sanctions under the laws and regulations of the U.S. Government (including, without limitation, the Office of Foreign Assets Control of the U.S. Departments of the Treasury, the U.S. Department of Commerce or the U.S. Department of State), or any enabling legislation or executive order relating thereto; or (y) any sanctions or measures officially published and imposed by the EU, any member state of the EU, His Majesty's Treasury, the United Nations Security Council or any other relevant sanctions authority, including sanctions imposed against certain states, organizations and individuals under the EU's Common Foreign & Security Policy or (d) a person acting for or on behalf of any of the foregoing;

"**SEC**" are to the U.S. Securities and Exchange Commission;

"**Secondary Seller**" means a seller of defaulted or non-core asset investment portfolios where the seller did not provide the initial credit or originate the non-core asset;

"**Security Documents**" are to the agreements creating security interests over the Collateral as described under "*Description of the New Notes—Security—The Collateral*";

"**Securities Act**" are to the U.S. Securities Act of 1933, as amended;

"**Security Agent**" are to GLAS Trust Corporation Limited acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement;

"**Specific CLO Holder**" means any Eligible Holder of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes that may be unable, for fund constitutional or governance reasons, to validly tender its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in the Exchange Offer;

"**Stub Equity Shareholders**" means certain of the eligible shareholders of Arrow Global Group Limited prior to the Acquisition, who elected to accept the Alternative Offer;

"**SYSC**" means the FCA's Senior Management Arrangements, Systems and Controls;

"**TDR Capital**" are to the investment funds managed by TDR Capital LLP that are our indirect majority shareholders, or, when otherwise indicated or where the context otherwise requires, TDR Capital LLP in its own right;

"**Transactions**" are to the transactions discussed under "*Summary—The Transactions*";

"**Trustees**" are to the Existing Notes Trustee and the New Notes Trustee, collectively;

"**UK**" are to the United Kingdom;

"**UK Regulated Firms**" means Arrow Global Massey Limited and Drydens which are authorized and regulated by the FCA to conduct consumer credit and/or mortgage-related regulated activities in the UK;

"**United States**," "**US**" and "**U.S.**" are to the United States of America, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States of America and the District of Columbia;

"**Unrestricted Subsidiaries**" are to our Jersey fund management group, which consists of AGG Capital Management (Holdco) Limited ("**ACMH**"), AGG Capital Management Limited ("**ACML**" or the "**Fund Manager**") and ACML's subsidiaries, which includes but is not limited to the general partners of the various funds managed by ACML, together with any subsidiary of the Parent that the board of directors of the Parent may designate to be an Unrestricted Subsidiary in accordance with the New Indenture;

"**US GAAP**" are to accounting principles generally accepted in the United States;

"**VAT**" are to value added tax; and

"**we**," "**us**" and "**our**" are to the Parent and its direct and indirect subsidiaries, unless otherwise indicated or where the context otherwise requires.

IMPORTANT DATES

Please take note of the following important dates and times in connection with the Exchange Offer. The Issuer reserves the right to extend any of these dates with respect to the Exchange Offer, and consequently, the following dates are subject to change.

Dates relating to the Exchange Offer

	Date and Time	**Event**
Launch Date	November 21, 2024	Commencement of the Exchange Offer (and the Tender Offers and the New Money Notes Offering). The notice of the Exchange Offer is made available on the Offer Website, submitted to the Clearing Systems. The Exchange Offer Memorandum is made available to Eligible Holders on the Offer Website and via the Exchange and Information Agent.
Exchange Notes Interest Rate Margin and Cash Consideration Announcement Date	Prior to the Expiration Time	The date on which the Issuer will announce the final interest rate margin and issue price for the New Money Floating Rate Notes and the final interest rate margin for the Exchange Notes and the Cash Consideration amount to be offered in connection with the Exchange Offer.
Withdrawal Deadline	The Expiration Time	The deadline for Eligible Holders that have already tendered their Existing Floating Rate Notes and/or Existing Euro Fixed Rate Notes pursuant to the Exchange Offer to validly withdraw their tenders.
Expiration Time	4:00 p.m., London time, November 27, 2024 (unless otherwise extended, re-opened, amended or earlier terminated)	The final deadline for Eligible Holders to validly tender their Existing Floating Rate Notes and Existing Euro Fixed Rate Notes for exchange. The Clearing Systems may, in accordance with their normal procedures, establish earlier deadlines for the tender of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes for exchange from Direct Participants, as described under "*Description of the Exchange Offer—Procedures for Tendering Existing Floating Rate Notes and Existing Euro Fixed Rate Notes*."
Exchange Offer Results Announcement Date	As soon as reasonably practicable after the Expiration Time.	The date on which the Issuer will announce the aggregate principal amounts of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered for exchange as of the Expiration Time and accepted pursuant to the Exchange Offer.
Settlement Date	Following the Expiration Time; we currently anticipate this date would be December 11, 2024	Assuming the Minimum Condition has been satisfied or waived on or prior to such date and assuming the Settlement Conditions

Dates relating to the Exchange Offer

	Date and Time	Event
	(which is expected to be 10 Business Days after the Expiration Time).	have been satisfied or waived on or prior to such date, the date on which (i) the Cash Consideration and accrued and unpaid interest will be paid, and the Exchange Notes will be issued, in each case, in exchange for the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered on or before the Expiration Time and accepted in the Exchange Offer and (ii) the New Indenture will be executed.

If Eligible Holders wish to participate in the Exchange Offer, and their Existing Floating Rate Notes and Existing Euro Fixed Rate Notes are held by a custodial entity, such as a bank, broker, dealer, trust company or other nominee, Eligible Holders must instruct that custodial entity to tender their Existing Floating Rate Notes and Existing Euro Fixed Rate Notes on their behalf pursuant to the procedures of that custodial entity. Eligible Holders are encouraged to contact their custodial entity as soon as possible to give it sufficient time to meet the requested deadline.

SUMMARY OF THE EXCHANGE OFFER

The summary below describes the principal terms of the Exchange Offer. Certain of the terms and conditions described below are subject to important limitations and exceptions. See the "Description of the Exchange Offer" section of this Exchange Offer Memorandum for a more detailed description of the terms and conditions of the Exchange Offer.

Issuer

Sherwood Financing plc

Existing Notes subject to the Exchange Offer

The Existing Floating Rate Notes and Existing Euro Fixed Rate Notes, described below:

Title of Security	Regulation S ISIN / Common Code	Maturity Date	Aggregate Principal Amount Outstanding(1)
Senior Secured Floating Rate Notes due 2027	XS2010027535/201002753	November 15, 2027	€640,000,000
4.500% Senior Secured Notes due 2026	XS2010027022/ 201002702	November 15, 2026	€400,000,000

(1) The Aggregate Principal Amount Outstanding includes €622,035,000 aggregate principal amount of the Existing Floating Rate Notes held in Regulation S global notes format and €379,777,000 aggregate principal amount of the Existing Euro Fixed Rate Notes held in Regulation S global notes format, each as of November 20, 2024. For the avoidance of doubt, the Exchange Offer being made pursuant to this Exchange Offer Memorandum in respect of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes is only in respect of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and the ISIN XS2010027022 and Common Code 201002702, respectively. The outstanding aggregate principal amount of all Existing Floating Rate Notes is €640,000,000 and all Existing Euro Fixed Rate Notes is €400,000,000.

Eligible Holders

The Exchange Offer is directed, and the Exchange Notes will be issued, only to those holders of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes who are non-"U.S. Persons" (within the meaning of Regulation S) who are not resident in the United States and are not located in or at any address in the United States in reliance on Regulation S (and, in relation to investors that are resident in a member state of the EEA or the United Kingdom, not "retail investors" in the EEA or the United Kingdom).

Furthermore, a Sanctions Restricted Person may not participate in the Exchange Offer.

Exchange Offer

The Issuer hereby offers each Eligible Holder of the Issuer's Existing Floating Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and its Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702, in each case issued pursuant to the Existing Indenture the opportunity to exchange Existing Floating Rate Notes and Existing Fixed Rate Notes validly tendered (and not validly withdrawn) for Exchange Notes, to be issued under the New Indenture at an issue price of 100% of their aggregate principal amount.

For each €1,000 principal amount of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes validly tendered and not validly withdrawn and accepted in the Exchange Offer, €1,000 principal amount of Exchange Notes will be issued.

In addition, Eligible Holders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes validly tendered and not validly withdrawn and accepted in the Exchange Offer will be entitled to receive Cash Consideration, see "*—Cash Consideration; accrued and unpaid interest*" below.

Concurrently with the Exchange Offer, the Issuer is conducting an offer to eligible holders of the Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes and the Existing Sterling Fixed Rate Notes, in each case, held in Regulation S global notes format, to tender such Existing Notes for repurchase by the Issuer (the "**Tender Offers**").

In addition, the Issuer is proposing to issue New Money Floating Rate Notes, New Money Euro Fixed Rate Notes and New Money Sterling Fixed Rate Notes, in each case, for cash consideration under the New Indenture. The Exchange Notes and the New Money Floating Rate Notes, if any, will have identical terms and form a single class issued under the New Indenture on the Settlement Date. The Issuer intends to use the gross proceeds from the New Money Notes Offering to pay (i) the consideration for the Exchange Offer and the Tender Offers and (ii) the fees and expenses incurred in connection with the Transactions (as defined below).

It is expected that the New Money Notes Offering, the Exchange Offer and the Tender Offers will settle simultaneously on the Settlement Date.

Holders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes that do not participate in the Exchange Offer and any subsequent transferees will not receive any Exchange Notes or Cash Consideration.

The Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are admitted to the Official List of the Exchange. Application will be made to the Authority for the Exchange Notes to also be admitted to the Official List of the Exchange. There can be no assurance that any such application will be successful or any such listing will be granted or maintained. See "*Risk Factors—Risks relating to our Structure—There may not be an active trading market for the Exchange Notes, in which case your ability to sell the Exchange Notes may be limited*."

Exchange Consideration; Cash Consideration; accrued and unpaid interest

In exchange for each €1,000 in aggregate principal amount of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes validly tendered on or prior to the Expiration Time and accepted in the Exchange Offer, Eligible Holders are entitled to receive Exchange Consideration and Cash Consideration as set out in the table below:

Exchange Consideration(1)	Cash Consideration(2)	Total Consideration
€1,000 in principal amount of Exchange Notes	To be determined by the Issuer and announced in accordance with the timeline provided herein.	Sum of the Cash Consideration and the Exchange Consideration

(1) Per €1,000 principal amount of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes validly tendered for exchange (and not validly withdrawn) and accepted in the Exchange Offer (exclusive of any accrued and unpaid interest, which will be paid in addition to the Exchange Consideration to, but not including,

the settlement date, which will occur following the Expiration Time (the "**Settlement Date**").

(2) The Cash Consideration amount will be communicated by the Issuer prior to the Expiration Time. In addition to the applicable Cash Consideration, we shall pay the accrued and unpaid interest to, but excluding, the Settlement Date on the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes that are validly tendered and not validly withdrawn on or prior to the Expiration Time and accepted in the Exchange Offer. The calculation of accrued and unpaid interest will be made by or on behalf of the Issuer and such calculations will be final and binding on the relevant Eligible Holders, absent manifest error.

Minimum Condition

In addition to the Settlement Conditions, the occurrence of the Settlement Date will be conditioned upon, the completion of the issue of Exchange Notes and New Money Notes in a combined aggregate principal amount equal to at least 75% of the outstanding aggregate principal amount of the Existing Notes (the "**Minimum Condition**"), as may be amended, modified or waived.

Settlement Conditions

In addition to the Minimum Condition, the consummation of the Exchange Offer is conditioned upon certain customary conditions, as described in "*Description of the Exchange Offer—Conditions to the Exchange Offer*," as may be amended, modified or waived.

The Issuer will accept for exchange Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered for exchange by Eligible Holders pursuant to the Exchange Offer, subject to the conditions described herein, but reserves the right not to exchange any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes validly tendered for exchange pursuant to the Exchange Offer under certain circumstances described herein.

Holder Waiver

Valid tendering of an Existing Floating Rate Note or an Existing Euro Fixed Rate Note in the Exchange Offer will constitute a Holder Waiver to the extent such Existing Floating Rate Note or Existing Euro Fixed Rate Notes is accepted in the Exchange Offer and the Exchange Offer is consummated.

Withdrawal of Tenders

Existing Floating Rate Notes or Existing Euro Fixed Rate Notes once validly tendered in the Exchange Offer, can only be validly withdrawn on the terms and conditions set out in this Exchange Offer Memorandum.

An Eligible Holder, or the relevant Direct Participant on its behalf, may validly withdraw its tender of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes by submitting a valid electronic withdrawal instruction to the relevant Clearing System at any time on or prior to the Expiration Time in conformity with the procedures set forth in "*Description of the Exchange Offer—Withdrawal of Tenders*." Any Eligible Holder who validly withdraws previously tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes and does not re-tender such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, on or prior to the Expiration Time will not receive any Exchange Notes or Cash Consideration in respect of such withdrawn Existing Floating Rate Notes or Existing Euro Fixed Rate Notes.

Expiration Time

The Exchange Offer will expire at 4:00 p.m., London time, on November 27, 2024, unless amended, extended, withdrawn or terminated by the Issuer, which is the final deadline for Eligible

Holders to validly tender their Existing Floating Rate Notes and Existing Euro Fixed Rate Notes pursuant to the Exchange Offer.

Settlement Date

The Settlement Date is expected to be the 10th Business Day following the Expiration Time. Assuming the Minimum Condition and the Settlement Conditions have been satisfied or waived prior to the Settlement Date, on the Settlement Date, among other things, (i) the Cash Consideration and accrued and unpaid interest, if any, will be paid, and the Exchange Notes will be issued, in each case, in exchange for the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered on or before the Expiration Time and accepted in the Exchange Offer and (ii) the New Indenture will be executed.

Amendment and Termination

The Issuer expressly reserves the right, in its sole discretion subject to applicable law, (i) to delay acceptance of tenders of any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, to amend, extend, withdraw or terminate the Expiration Time with respect to the Exchange Offer, or to terminate the Exchange Offer and not accept any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, including if the Minimum Condition or any of the Settlement Conditions set forth under "*—Conditions to the Exchange Offer*" shall not have been satisfied or waived by the Issuer and (ii) to amend at any time, or from time to time, the terms of any and all of the Exchange Offer.

In the event that the Exchange Offer is terminated, withdrawn or otherwise not consummated, no consideration will be paid or become payable to Eligible Holders who have tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes pursuant to the Exchange Offer. In any such event, the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes previously tendered pursuant to the Exchange Offer will be promptly returned to the tendering Eligible Holders.

If the Exchange Offer is amended in a manner determined by the Issuer to constitute a material change, the Issuer will promptly disclose such amendment in a manner reasonably calculated to inform Eligible Holders of such amendment and may extend the Expiration Time of the Exchange Offer. See "*Description of the Exchange Offer—Terms of the Exchange Offer—Expiration Time; Extensions; Amendments; Termination*."

Procedures for Tendering Existing Floating Rate Notes and Existing Euro Fixed Rate Notes

See "*Description of the Exchange Offer—Procedures for Tendering Existing Floating Rate Notes and Existing Euro Fixed Rate Notes*" for a description of the procedures to validly tender Existing Floating Rate Notes and Existing Euro Fixed Rate Notes in the Exchange Offer. For further information, contact the Exchange and Information Agent or consult your broker, dealer, commercial bank, trust company or other nominee for assistance.

If Eligible Holders wish to participate in the Exchange Offer, and their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are held by a custodial entity, such as a bank, broker, dealer, trust company or other nominee, Eligible Holders must instruct that custodial entity to tender their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, on their behalf pursuant to the procedures of that custodial entity. Eligible Holders are encouraged to contact their custodial entity as soon as possible to give it sufficient time to meet the requested deadline.

Eligible Holders must instruct Euroclear or Clearstream, as the case may be, via their Direct Participants to tender their Existing Floating Rate Notes and Existing Euro Fixed Rate Notes and block the account in respect of their tendered Existing Floating Rate Notes and Existing Euro Fixed Rate Notes in accordance with the procedures established by Euroclear or Clearstream. Only Direct Participants may submit Exchange Instructions to the relevant Clearing Systems. Eligible Holders are encouraged to contact Euroclear or Clearstream directly to ascertain their procedures for tendering Existing Floating Rate Notes and Euro Fixed Rate Notes.Existing

When submitting an Exchange Instruction via the relevant Clearing System, a Noteholder (or the relevant Direct Participant on its behalf) must follow the procedures described in the relevant Clearing System Notice as being applicable to "Option 1 – Exchange Instruction". If an Eligible Holder (or the relevant Direct Participant on its behalf) is a Specific CLO Holder and wants to send an Abstention Instruction, it must follow the procedures described in the relevant Clearing System Notice as being applicable to "Option 2 – Abstention Instruction".

For more information on tendering your Existing Floating Rate Notes and Existing Euro Fixed Rate Notes, please see "*Description of the Exchange Offer—Procedures for Tendering Existing Floating Rate Notes and Existing Euro Fixed Rate Notes*."

For further information, contact the Exchange and Information Agent or consult your broker, dealer, commercial bank, trust company or other nominee for assistance.

Consequences of Decision to Tender/Not Tender

The trading markets for the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes could become limited or non-existent due to the reduction in the principal amount of the Outstanding Existing Floating Rate Notes and Outstanding Existing Euro Fixed Rate Notes outstanding after the consummation of the Exchange Offer, and this could negatively impact the trading price of such Outstanding Existing Floating Rate Notes and Outstanding Existing Euro Fixed Rate Notes.

Use of Proceeds

The Issuer will not receive any cash proceeds from the Exchange Offer. See "*Use of Proceeds*."

Treatment of Tendered Existing Floating Rate Notes and Existing Euro Fixed Rate Notes Upon Consummation of the Exchange Offer

The Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered (and not validly withdrawn) in the Exchange Offer and accepted upon the consummation of the Exchange Offer will be delivered to the Existing Notes Trustee by the Issuer for cancellation on the Settlement Date. In addition, if the entire aggregate principal amount of all Existing Notes is validly tendered (and not validly withdrawn) in the Exchange Offer and the Tender Offers, the Existing Indenture will be satisfied and discharged as of the Settlement Date.

Other Fees and Expenses	The fees and expenses of soliciting tenders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes will be borne by us. Holders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes will not be required to pay any fee or commission to the Issuer, the Dealer Managers or the Exchange and Information Agent in connection with the Exchange Offer. However, if your Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are held through a broker, dealer, commercial bank, trust company or other nominee that tenders such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, your broker or other nominee may charge you a commission for doing so. You should consult with your broker or other nominee to determine whether any charges will apply.
No Recommendation	None of the Issuer, the Trustees, the Dealer Managers, the Exchange and Information Agent, any financial, tax or legal advisor to any of the foregoing, or any of their respective affiliates, makes any recommendation as to whether Eligible Holders should participate in the Exchange Offer, and none of them has authorized any person to make any such recommendation.
Risk Factors	Participating in the Exchange Offer, and investing in the Exchange Notes, involves substantial risk and uncertainties. See "*Risk Factors*" beginning on page 159, for a discussion of the factors you should consider before participating in the Exchange Offer.
Taxation	For a summary of certain UK tax consequences of the Exchange Offer, see "*Tax Considerations*."
Exchange and Information Agent	Kroll Issuer Services Limited is the Exchange and Information Agent for the Exchange Offer. Its address, email address and telephone number are listed on the back cover page of this Exchange Offer Memorandum. If you would like additional copies of this Exchange Offer Memorandum and other information incorporated by reference in this Exchange Offer Memorandum, please contact either the Exchange and Information Agent or the Issuer.
Lead Dealer Manager and Joint Global Co-Ordinator	J.P. Morgan is the Lead Dealer Manager and Joint Global Co-Ordinator for the Exchange Offer.
Joint Global Co-Ordinators and Co-Dealer Managers	Barclays Bank plc, HSBC Bank plc and NatWest Markets plc are the Joint Global Co-Ordinators and Co-Dealer Managers for the Exchange Offer.
Co-Dealer Managers	Citigroup Global Markets Limited, DNB Markets, a division of DNB Bank ASA, Goldman Sachs Bank Europe SE, Lloyds Banks Corporate Markets plc and Merrill Lynch International are Co-Dealer Managers for the Exchange Offer.
Dealer Managers	J.P. Morgan, Barclays Bank plc, HSBC Bank plc, NatWest Markets plc, Citigroup Global Markets Limited, DNB Markets, a division of DNB Bank ASA, Goldman Sachs Bank Europe SE, Lloyds Banks Corporate Markets plc and Merrill Lynch International are the Dealer Managers for the Exchange Offer. Their addresses, email addresses and telephone numbers are listed on the back cover page of this Exchange Offer Memorandum.

No Letter of Transmittal	In order to participate in the Exchange Offer, you will be required to submit or arrange to have submitted or arranged on your behalf an Exchange Instruction on or prior to the Expiration Time in the form required by the Clearing Systems and in accordance with the procedures discussed under "*Description of the Exchange Offer—Procedures for Tendering Existing Floating Rate Notes and Existing Euro Fixed Rate Notes.*" There is no separate letter of transmittal in connection with the Exchange Offer, or this Exchange Offer Memorandum. The Issuer reserves the right to reject any Exchange Instruction not received in the appropriate form.
Assistance and Additional Information	Any questions or requests for assistance concerning the terms of the Exchange Offer may be directed to the Issuer or the Dealer Managers at their respective addresses and email addresses set forth on the back cover of this Exchange Offer Memorandum. For procedural or administrative questions regarding how to validly tender or validly withdraw your Existing Floating Rate Notes, you may contact the Exchange and Information Agent at its address, email address and telephone number set forth on the back cover of this Exchange Offer Memorandum. Beneficial owners may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer.

SUMMARY OF THE TERMS OF THE EXCHANGE NOTES

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

Issuer	Sherwood Financing plc
Exchange Notes Offered................	New senior secured floating rate notes due 2029 (the "**Exchange Notes**") to be issued under the New Indenture at an issue price of 100% of their aggregate principal amount. In addition, concurrently with the Exchange Offer, the Issuer is proposing to issue: New Money Floating Rate Notes, New Money Euro Fixed Rate Notes and New Money Sterling Fixed Rate Notes, in each case, for cash consideration under the New Indenture. The Exchange Notes and the New Money Floating Rate Notes, if any, will have identical terms and form a single class issued under the New Indenture on the Settlement Date. The Exchange Notes will not be fungible with any Outstanding Existing Floating Rate Notes, if any. Accordingly, the Exchange Notes and the Outstanding Existing Floating Rate Notes, will trade under separate ISINs and Common Codes.
Issuance of Additional Exchange Notes	Pursuant to the terms of the New Indenture, the Issuer will be permitted to issue additional New Notes, including additional Exchange Notes. Additional New Notes shall be treated, along with all other notes issued under the New Indenture, as a single class for the purposes of the New Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for each series of the New Notes. For all purposes other than U.S. federal income tax purposes, additional New Notes shall be deemed to form one series with any notes previously issued under the New Indenture if they have terms substantially identical in all material respects to such other notes. In the event that any additional New Notes, including additional Exchange Notes, issued after the date hereof and sold pursuant to Rule 144A are not fungible with any notes previously issued under the New Indenture for U.S. federal income tax purposes, such non-fungible additional New Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued notes under the New Indenture. Additional New Notes sold pursuant to Regulation S from time to time may be issued with the same ISIN, Common Code, CUSIP or other securities identification number as the applicable series of New Notes previously issued under the New Indenture without being fungible with such series of New Notes for U.S. federal income tax purposes. In the event additional New Notes, including additional Exchange Notes, are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as the New Notes belonging to the same series previously issued, without being fungible with such series of initially issued New Notes for U.S. federal income tax purposes, Book-Entry Interests in the New Notes held in Regulation S global notes format that form part of that series, including in respect of investors that hold Book-Entry Interests in the

New Notes held in Regulation S global notes format on or prior to the date of issuance of such additional New Notes, will not be eligible for transfer to Book-Entry Interests in New Notes held in Rule 144A global notes format (if any) representing New Notes of that same series. Such a restriction could adversely impact the liquidity of sales of Book-Entry Interests in the Regulation S Global Notes. See "*Risk Factors—Risks relating to our financial profile, the Exchange Notes and the Note Guarantees—Additional New Notes may not be fungible with the Exchange Notes for U.S. federal income tax purposes*," "*Book-Entry, Delivery and Form—Transfers*" and "*Description of the New Notes—Additional Notes*."

Issue Date .... The Settlement Date.

Maturity Date .... December 15, 2029

Interest Rate.................................. Three-month EURIBOR plus a margin rate, which will be the same as that of the New Money Floating Rate Notes, and which we expect to communicate to Eligible Holders by the second Business Day prior to the Expiration Time

Interest Payment Dates .... Quarterly in arrears on each March 15, June 15, September 15, and December 15, commencing on March 15, 2025

Accrued and Unpaid Interest .... Interest on the Exchange Notes will accrue from the Settlement Date. Interest will be computed on the basis of a 360-day year and the actual number of days elapsed.

Denomination................................ The Exchange Notes will have a minimum denomination of €100,000 and may be issued in any integral multiples of €1,000 in excess thereof. Exchange Notes in denominations of less than €100,000 will not be available.

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

- senior secured obligations of the Issuer and will rank equal in right of payment with all of the Issuer's existing or future obligations that are not subordinated in right of payment to the Exchange Notes, including the Issuer's obligations under the other New Notes, the Outstanding Existing Notes, if any, and the New Revolving Credit Facility;

- secured by the Collateral as set forth below under "*—Collateral*," along with the other New Notes, borrowings under the New Revolving Credit Facility, certain hedging obligations, if any, and certain operating facilities, if any, and which Collateral will also secure the obligations under the Outstanding Existing Notes, if any;

- senior in right of payment to any existing or future obligations of the Issuer that are subordinated in right of payment to the Exchange Notes;

- effectively senior in right of payment to any existing or future unsecured obligations of the Issuer to the extent of the assets securing the Exchange Notes;

- effectively subordinated in right of payment to any existing or future obligations of the Issuer that are secured by property or assets that do not secure the Exchange Notes, to the extent of the value of the property or assets securing such indebtedness;

- effectively subordinated in right of payment to any existing and future obligations of the Issuer that are guaranteed by subsidiaries that do not guarantee the New Notes, including in the case of the Outstanding Existing Notes to the extent of the guarantees by Quest Topco Limited, Quest Bidco Limited and Quest Newco Limited, each of which are non-trading holding companies without any material assets or liabilities; and

- unconditionally guaranteed on a senior secured basis by the Guarantors as set forth below under "*—Note Guarantees*."

Note Guarantees .... On or about the Settlement Date, the Exchange Notes will be guaranteed on a senior secured basis by the Guarantors. The Guarantors and the Issuer will also guarantee the other New Notes, the New Revolving Credit Facility and certain hedging obligations, if any, and certain operating facilities, if any, on a senior secured basis, *pari passu* with the Note Guarantees of the Exchange Notes. In addition, the Guarantors other than the Luxembourg Guarantor will also guarantee any Outstanding Existing Notes, if any, on a senior secured basis, and *pari passu* with the Note Guarantees of the New Notes and the guarantees of the New Revolving Credit Facility Agreement. Any debt in connection with the Outstanding Existing Notes is subject to the equalization provisions in the Intercreditor Agreement (as defined herein) and the Outstanding Existing Notes shall therefore receive the indirect benefit of any claims made against the Luxembourg Guarantor.

The Note Guarantees will be subject to contractual and legal limitations, and may be released under certain circumstances. See "*Description of the New Notes—Note Guarantees*" and "*Risk Factors—Risks relating to our structure*."

Ranking of the Note Guarantees .. Each Note Guarantee will be:

- senior secured obligation of the relevant Guarantor and will rank equal in right of payment with such Guarantor's existing or future obligations that are not subordinated in right of payment to its Note Guarantee, including its guarantee under the New Revolving Credit Facility and the Outstanding Existing Notes, if any;

- secured by the Collateral as set forth below under "*—Collateral*," along with borrowings under the New Revolving Credit Facility, certain hedging obligations, if any, and certain operating facilities, if any, and the Collateral will also secure the obligations under the Outstanding Existing Notes, if any;

- senior in right of payment to any of such Guarantor's existing and future indebtedness that is subordinated in right of payment to its Note Guarantee;

- effectively senior in right of payment to any existing or future unsecured obligations of such Guarantor to the extent of the value of the Collateral that is available to satisfy the obligations under its Note Guarantee; and

- effectively subordinated in right of payment to any existing or future indebtedness of such Guarantor that is secured by property or assets that do not secure its Note Guarantee, to the extent of the value of the property or assets securing such indebtedness.

The Note Guarantees will be subject to contractual and legal limitations, including the Agreed Security Principles, and may be released under certain circumstances. See "*Risk Factors—Risks relating to our structure—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Description of the New Notes—Note Guarantees*." As of and for the twelve months ended September 30, 2024, the Issuer and the Guarantors contributed 58% of the Group's Adjusted EBITDA and accounted for 69% of the Group's investment portfolio assets.

Collateral.. Subject to the Intercreditor Agreement, the operation of the Agreed Security Principles, certain perfection requirements, certain limitations pursuant to applicable laws, the terms of the applicable Security Documents and the grant of further Permitted Collateral Liens, on or about the Settlement Date, the Exchange Notes will be secured by certain security granted in favor of the Security Agent for the benefit of the secured parties (which will include the New Notes Trustee on behalf of the holders of the Exchange Notes and the other New Notes) including:

- a limited recourse English law share charge over all shares held by Midco in the Parent and security assignment of intercompany loans owed by the Parent to Midco;

- an English law debenture over certain material assets of the Parent, Bidco, Finco, the Issuer, Arrow Global Group Limited, Arrow Global One Limited, Arrow Global Investments Holdings Limited, Arrow Global (Holdings) Limited, Arrow Global Limited and Arrow SMA LP Limited;

- an English law share charge over all shares held by Arrow Global Guernsey Holdings Limited in Arrow Global Investments Holdings Limited;

- a Guernsey law security interest agreement over the shares held by Arrow Global One Limited in Arrow Global Guernsey Holdings Limited;

- with respect to the Guarantors incorporated in Jersey, (i) Jersey law general security agreements over certain material Jersey situated assets of such Guarantors, (ii) Jersey law specific security interest agreements over the shares of Arrow SMA GP Limited. and (iii) Jersey law specific security interest security agreements over the partnership interests in Arrow Global SMA I LP;

- with respect to the Guarantors incorporated in the Netherlands, security over (i) the shares of such Guarantors, (ii) the material bank accounts of such Guarantors, (iii) intra-Restricted Group receivables, and (iv) shares owned by such Guarantors in the other Guarantors; and

- with respect to the Luxembourg Guarantor, security over (i) the shares of such Guarantor, (ii) the material bank accounts of such Guarantor (if any), (iii) intra-Restricted Group receivables (if any), and (iv) shares owned by the Luxembourg Guarantor in certain other Guarantors,

(including, in each case, any supplements to, amendments to, or confirmations of such security), collectively, the "**Collateral**."

Under the terms of the Intercreditor Agreement and subject to the terms of the New Indenture, lenders under the New Revolving Credit Facility

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

Subject to the operation of the Intercreditor Agreement, the Agreed Security Principles, certain perfection requirements, certain limitations pursuant to applicable laws, the terms of the applicable Security Documents and the grant of further Permitted Collateral Liens, the Collateral will also secure our obligations under the other New Notes, the New Revolving Credit Facility Agreement, certain hedging obligations, if any, and certain operating facilities, if any and the Outstanding Existing Notes, if any.

The Collateral will, in each case, be limited and subject to certain statutory preferences under the laws of England and Wales, the Netherlands, Guernsey, Jersey and Luxembourg, as applicable, as described under "*Risk Factors—Risks relating to our structure—English, Guernsey, Jersey, Portuguese, Luxembourg and Dutch insolvency laws may provide you with less protection than U.S. bankruptcy law and enforcing your rights as a holder of the Exchange Notes or under the Note Guarantees or security interests in the Collateral across multiple jurisdictions may be difficult*" and "*Limitations on Validity and Enforceability of the Note Guarantees and Security Interests*."

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

Optional Redemption of the Exchange Notes.............................. Prior to December 15, 2025 the Issuer will be entitled at its option to redeem all or a portion of the Exchange Notes at a redemption price equal to 100% of the principal amount of the Exchange Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, plus the applicable "make whole" premium as set forth in this Exchange Offer Memorandum.

On or after December 15, 2025 the Issuer will be entitled at its option to redeem all or a portion of the Exchange Notes at the redemption prices set forth under the caption "*Description of the New Notes—Optional Redemption*," plus accrued and unpaid interest and Additional Amounts, if any.

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

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

Change of Control	Upon the occurrence of certain change of control events, the Issuer may be required to offer to repurchase the Exchange Notes at 101% of the principal amount repurchased, plus accrued and unpaid interest and Additional Amounts, if any. However, a change of control will not be deemed to have occurred if a certain consolidated leverage ratio is not exceeded in connection with such an event. See "*Description of the New Notes—Change of Control*."
Certain Covenants	The New Indenture relating to the Exchange Notes, among other things, will restrict the ability of the Parent and its restricted subsidiaries to: • incur or guarantee additional indebtedness; • pay dividends or make other distributions or purchase or redeem our stock; • make investments or other restricted payments; • prepay or redeem subordinated debt or equity; • enter into agreements that restrict our restricted subsidiaries' ability to pay dividends; • transfer or sell assets; • engage in transactions with affiliates; • create liens on assets to secure indebtedness; • impair security interests; and • merge or consolidate with or into another company. Each of these covenants is subject to significant exceptions and qualifications. See "*Description of the New Notes—Certain Covenants*."
Transfer Restrictions	We have not registered the Exchange Notes or the Note Guarantees under the Securities Act or the securities laws of any other jurisdiction. You may only offer or sell the Exchange Notes in transactions that are exempt from, or not subject to, the registration requirements of the Securities Act, or pursuant to an effective registration statement, and in compliance with all other applicable laws. See "*Transfer Restrictions*." We have not agreed to, or otherwise undertaken, to register the Exchange Notes under the Securities Act or the securities laws of any other jurisdiction.
No Prior Market	The Exchange Notes will be new securities for which there is currently no established trading market. Accordingly, there is no assurance that an active trading market will develop for the Exchange Notes.
Listing	Application will be made to the Authority for the listing of and permission to deal in the Exchange Notes, on the Official List of the Exchange. There can be no assurance that the Exchange Notes will be listed on the Official List of the Exchange, that such permission to deal in the Exchange Notes will be granted or that such listing will be

	maintained. See "*Risk Factors—Risks relating to our structure—There may not be an active trading market for the Exchange Notes, in which case your ability to sell the Exchange Notes may be limited.*"
Use of Proceeds	The Issuer will not receive any cash proceeds from the issuance of the Exchange Notes in the Exchange Offer. The Cash Consideration and accrued and unpaid interest in respect of all Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered (and not validly withdrawn) and accepted by the Issuer for exchange in the Exchange Offer from, and including, the most recent interest payment in respect of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes to, but not including, the Settlement Date and the fees and expenses incurred in connection with the Exchange Offer will be funded with the Group's cash on hand and/or proceeds from the New Money Notes Offering. The Issuer has agreed to pay the fees and expenses of the Dealer Managers, Exchange and Information Agent and each of the Trustees, the Security Agent and their respective agents and counsel, for services in connection with the Transactions.
Governing Law	The New Indenture and the Note Guarantees in respect of the Exchange Notes will be governed by the laws of the State of New York. The New Revolving Credit Facility Agreement and the Intercreditor Agreement are governed by English law. The Security Documents are governed by English law or the laws of Guernsey, Jersey, the Netherlands and Luxembourg, as applicable.
Security Agent................................	GLAS Trust Corporation Limited
New Notes Trustee.........................	GLAS Trust Company LLC
Paying Agent, Calculation Agent, Registrar and Transfer Agent......	GLAS Trust Company LLC
Listing Agent..................................	Carey Olsen Corporate Finance Limited
Risk Factors	**Investing in the Exchange Notes involves a high degree of risk. See the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Exchange Notes.**

DESCRIPTION OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions described in this Exchange Offer Memorandum, the Issuer is offering to exchange validly tendered and accepted outstanding Existing Floating Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and outstanding Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702 by Eligible Holders for Exchange Notes.

No Recommendation Regarding the Exchange Offer

None of the Issuer, the Trustees, the Dealer Managers, the Exchange and Information Agent, any financial, tax or legal advisor to any of the foregoing, or any of their respective affiliates, makes any recommendation as to whether Eligible Holders should participate in the Exchange Offer, and none of them has authorized any person to make any such recommendation. Eligible Holders are urged to carefully evaluate all information in this Exchange Offer Memorandum and all documents incorporated herein by reference, consult their own investment and tax advisors and make their own decisions about whether to tender Existing Floating Rate Notes or Existing Euro Fixed Rate Notes pursuant to the Exchange Offer.

Eligibility for Participation in the Exchange Offer

The Exchange Offer is being made, and the Exchange Notes, which have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction, are being issued only to those holders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes who are non-"U.S. Persons" (within the meaning of Regulation S) who are not resident in the United States and are not located in or at any address in the United States in reliance on Regulation S (and, in relation to investors that are resident in a member state of the EEA or the United Kingdom, not "retail investors" in the EEA or the United Kingdom) (each such Existing Noteholder, an "**Eligible Holder**"). Only Eligible Holders are authorized to receive or review this Exchange Offer Memorandum or to participate in the Exchange Offer. When submitting an Exchange Instruction via the relevant Clearing System, a Noteholder (or the relevant Direct Participant on its behalf) must follow the procedures described in the relevant Clearing System Notice as being applicable to "Option 1 – Exchange Instruction". The Exchange Notes will not be transferable except in accordance with the restrictions described under "*Transfer Restrictions*." Each Eligible Holder that tenders Existing Floating Rate Notes or Existing Euro Fixed Rate Notes will be deemed to have agreed with and made the representations, warranties and agreements set forth under "*—Terms of the Exchange Offer—Acknowledgements, Representations, Warranties and Undertakings relating to Tenders of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes*" below.

Furthermore, a Sanctions Restricted Person may not participate in the Exchange Offer.

Certain Eligible Holders of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes may be unable, for fund constitutional or governance reasons, to validly tender their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in the Exchange Offer (each such Eligible Holder, a "**Specific CLO Holder**"). Each Specific CLO Holder may submit, or arrange to have submitted on its behalf, an Exchange Instruction by which it explicitly abstains from participating in the Exchange Offer for fund constitutional or governance reasons, but in which it acknowledges that in the event the Exchange Offer is successfully completed (in the sole determination of the Issuer), it will be deemed to be a Participating Holder and its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for which an Exchange Instruction has been submitted will be exchanged in the Exchange Offer (each such Specific CLO Holder, an "**Abstaining Holder**") and each such Exchange Instruction, an "**Abstention Instruction**"). When submitting such Abstention Instruction via the relevant Clearing System, an Eligible Holder (or the relevant Direct Participant on its behalf) must follow the procedures described in the relevant Clearing System Notice as being applicable to "Option 2 – Abstention Instruction". By submitting such Abstention Instruction, an Abstaining Holder is deemed to acknowledge that (i) it explicitly abstains from participating in the Exchange Offer due to its inability to accept the Exchange Offer for fund constitutional or governance reasons, and (ii) irrevocably and unconditionally acknowledges that (x) it will be treated as a Participating Holder and (y) upon successful completion of the Exchange Offer (in the sole determination of the Issuer), its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, that are the subject of such Exchange Instruction will be exchanged in and pursuant to the terms of the Exchange Offer. For the avoidance of doubt, a Specific CLO Holder who fails to submit an Abstention Instruction in the manner described above for any of its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes will not be considered to be an Abstaining Holder and none of its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes will be exchanged in the Exchange Offer.

Eligible Holders who wish to participate in the Exchange Offer must tender their Existing Floating Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and their Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702 for exchange in an aggregate principal amount of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, that is sufficient to receive at least €100,000 in principal amount of Exchange Notes in the Exchange Offer (the "**Minimum Exchange Amount**"). Any Exchange Notes to be issued to any Eligible Holders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in the Exchange Offer will be in a minimum principal amount of €100,000 and integral multiples of €1,000 in excess thereof.

Terms of the Exchange Offer

The Issuer is offering the opportunity to exchange validly tendered (and not validly withdrawn) Existing Floating Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027022 and Common Code 201002702 for Exchange Notes as described in, and for the Cash Consideration summarized in, the table below:

Title of Security	Reg. S ISIN / Common Code	Maturity Date	Aggregate Principal Amount Outstanding(1)	Exchange Consideration(2)	Cash Consideration(3)
Senior Secured Floating Rate Notes due 2027	XS2010027535 / 201002753	November 15, 2027	€640,000,000	€1,000 in principal amount of Exchange Notes	To be determined by the Issuer and announced in accordance with the timeline provided herein
4.500% Senior Secured Notes due 2026	XS2010027022 / 201002702	November 15, 2026	€400,000,000	€1,000 in principal amount of Exchange Notes	To be determined by the Issuer and announced in accordance with the timeline provided herein

(1) The Aggregate Principal Amount Outstanding includes €622,035,000 aggregate principal amount of the Existing Floating Rate Notes held in Regulation S global notes format and €379,777,000 aggregate principal amount of the Existing Euro Fixed Rate Notes held in Regulation S global notes format, each as of November 20, 2024. For the avoidance of doubt, the Exchange Offer being made pursuant to this Exchange Offer Memorandum in respect of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes is only in respect of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes held in Regulation S global notes format bearing the ISIN XS2010027535 and Common Code 201002753 and the ISIN XS2010027022 and Common Code 201002702, respectively. The outstanding aggregate principal amount of all Existing Floating Rate Notes is €640,000,000 and all Existing Euro Fixed Rate Notes is €400,000,000.

(2) Per €1,000 principal amount of such Existing Floating Rate Notes or Existing Fixed Rate Notes validly tendered for exchange (and not validly withdrawn) and accepted in the Exchange Offer (exclusive of any accrued and unpaid interest, which will be paid in addition to the Exchange Consideration to, but not including, the settlement date, which will occur following the Expiration Time (the "**Settlement Date**")).

(3) The Cash Consideration amount will be communicated by the Issuer prior to the Expiration Time. In addition to the applicable Cash Consideration, we shall pay the accrued and unpaid interest to, but excluding, the Settlement Date on the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes, as applicable, that are validly tendered and not validly withdrawn on or prior to the Expiration Time accepted in the Exchange Offer. The calculation of accrued and unpaid interest will be made by or on behalf of the Issuer and such calculations will be final and binding on the relevant Eligible Holders, absent manifest error.

Consummation of the Exchange Offer is conditioned upon the satisfaction or waiver of the Minimum Condition (and evidence thereof satisfactory to the Existing Notes Trustee having been provided to the Existing Notes Trustee (along with the requisite deliverables under and in accordance with the Existing Indenture)) or any of the Settlement Conditions described under "*—Conditions to the Exchange Offer*."

Existing Floating Rate Notes and Existing Euro Fixed Rate Notes that are exchanged for Exchange Notes will be cancelled on the Settlement Date.

Accrued and Unpaid Interest

In addition to the applicable Cash Consideration, we shall pay the accrued and unpaid interest to, but excluding, the Settlement Date on the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes that are validly tendered (and not validly withdrawn) on or prior to the Expiration Time and accepted in the Exchange Offer. The calculation of accrued and unpaid interest will be made by or on behalf of the Issuer and such calculations will be final and binding on the Eligible Holders, absent manifest error.

The terms of the Exchange Notes are described in this Exchange Offer Memorandum under "*Description of the New Notes*."

Interest on the Exchange Notes will accrue from the Settlement Date. The Issuer will pay interest on the Exchange Notes quarterly in arrears on each March 15, June 15, September 15, and December 15, commencing on March 15, 2025. The Exchange Notes will not be fungible with the Outstanding Existing Floating Rate Notes. Accordingly, the Exchange Notes and the Outstanding Existing Floating Rate Notes, if any, will trade under separate ISINs and Common Codes.

Application will be made to the Authority for the Exchange Notes to be admitted to the Official List of the Exchange. There can be no assurance that any such application will be successful or any such listing will be granted or maintained. The Exchange is not a trading venue for purposes of MiFID II or UK MiFIR.

Minimum Denomination; Rounding

Existing Floating Rate Notes and Existing Euro Fixed Rate Notes may be tendered and accepted for exchange in the Exchange Offer only in principal amounts equal to minimum denominations of €100,000 principal amount and integral multiples of €1,000 principal amount in excess thereof.

Exchange Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. To participate in the Exchange Offer, Eligible Holders must validly tender (and not validly withdraw) Existing Floating Rate Notes and Existing Euro Fixed Rate Notes with an aggregate principal amount of at least the Minimum Exchange Amount. In order to be able to participate in the Exchange Offer, an Eligible Holder holding Existing Floating Rate Notes or Existing Euro Fixed Rate Notes of less than the Minimum Exchange Amount must first acquire such further number of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, as is necessary for that Eligible Holder to be able to validly tender its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable. The Issuer reserves the right to reject any Exchange Instruction with respect to any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes that would result in an issuance of Exchange Notes with a principal amount of less than €100,000. No alternative, conditional or contingent tenders will be accepted.

Expiration Time; Extensions; Amendments; Termination

The Expiration Time is 4:00 p.m., London time, on November 27, 2024, unless the Expiration Time is amended, extended, withdrawn or terminated, in which case the Expiration Time will be the last date and time to which the Expiration Time is amended, extended, withdrawn or terminated.

Existing Floating Rate Notes or Existing Euro Fixed Rate Notes once validly tendered in the Exchange Offer, can only be validly withdrawn on the terms and conditions set out in this Exchange Offer Memorandum.

Any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered on or prior to the Expiration Time that are not validly withdrawn on or prior to such deadline may not be withdrawn thereafter, unless the Exchange Offer is terminated without any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes being accepted or as required by applicable law. See "*—Withdrawal of Tenders*."

The Issuer may amend, extend, withdraw or terminate the Expiration Time with respect to the Exchange Offer for any purpose including, without limitation, to permit the satisfaction or waiver, in whole or in part, of the Minimum Condition and the Settlement Conditions (and evidence thereof satisfactory to the Existing Notes Trustee having been provided to the Existing Notes Trustee (along with the requisite deliverables under and in accordance with the Existing Indenture)) set forth under "*—Conditions to the Exchange Offer*," subject to applicable law and the terms set forth in this Exchange Offer Memorandum.

The Issuer expressly reserves the right, in its sole discretion subject to applicable law, (i) to delay acceptance of tenders of any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, to amend, extend, withdraw or terminate the Expiration Time with respect to the Exchange Offer, or to terminate the Exchange Offer and not accept any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, including if the Minimum Condition or any of the Settlement Conditions set forth under "*—Conditions to the Exchange Offer*" shall not have been satisfied or waived by the Issuer and (ii) to amend at any time, or from time to time, the terms of the Exchange Offer. The Issuer expressly reserves the right to consummate the Exchange Offer upon any such amended terms without reinstating withdrawal or revocation rights, subject to applicable law and the terms set forth in this Exchange Offer Memorandum; however, there can be no assurance that the Issuer will exercise its right to amend, extend, withdraw or terminate the Exchange Offer. Any amendment or modification of the

Exchange Offer will apply to all Existing Floating Rate Notes and Existing Euro Fixed Rate Notes tendered or delivered thereunder in the Exchange Offer.

The minimum period during which the Exchange Offer will remain open following a material change in the terms of the Exchange Offer or in the information concerning the Exchange Offer will depend upon the facts and circumstances of such change, including the relative materiality of the terms or information changes. If any of the terms of the Exchange Offer are amended in a manner we determine in our sole judgment to constitute a material change adversely affecting holders, we will promptly disclose any such amendment in a manner reasonably calculated to inform such holders of such amendment and will extend any or all of the periods for the Exchange Offer for a time period which we deem appropriate (including any withdrawal or revocation rights, to the extent required by law and as the Issuer determines necessary), as required by applicable law, depending upon the significance of the amendment and the manner of disclosure to such holders, if the period for the Exchange Offer would otherwise expire during such time period.

In addition, the Issuer reserves the right to agree to extend or delay the Settlement Date, to terminate the Exchange Offer or to modify the settlement procedures in any way and at any time if (i) any court order or judgment is issued, or any legal proceedings are commenced, with the purpose or effect of preventing or impeding the exchange, transfer or cancellation of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, or enjoining delivery of the Exchange Notes or impeding or attaching payments under the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes or (ii) the Issuer, in its sole discretion and to the extent permitted by applicable laws, rules and regulations, determines that such extension, delay, termination or modification is in the best interests of the Issuer or the Eligible Holders seeking to participate in the Exchange Offer, in light of any court order, judgment or pending administrative, litigation, arbitral or other legal proceedings against the Issuer.

If the Issuer exercises any such right, the Issuer will give oral or written notice thereof to the Exchange and Information Agent as promptly as practicable. If the Exchange Offer is amended in a manner determined by the Issuer to constitute a material change, the Issuer will promptly disclose such amendment in a manner reasonably calculated to inform holders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes of such amendment and extend the period of the Exchange Offer, as required by applicable law. See "—*Announcements*." An extension of the Expiration Time will not affect a holder's withdrawal or revocation rights, unless otherwise provided or as required by applicable law.

None of the Issuer, the Exchange and Information Agent or the Trustees is responsible if any Eligible Holder fails to meet any of the deadlines set forth herein and cannot participate in the Exchange Offer.

In the event the Exchange Offer is terminated, we will promptly return previously tendered Existing Floating Rate Notes and Existing Euro Fixed Rate Notes to the tendering Eligible Holder.

Holder Waiver

Valid tendering of an Existing Floating Rate Note or an Existing Euro Fixed Rate Note in the Exchange Offer will constitute a Holder Waiver to the extent such Existing Floating Rate Note or Existing Euro Fixed Rate Note, as applicable, is accepted in the Exchange Offer and the Exchange Offer is consummated.

Settlement Date

On the Settlement Date, which is expected to be the 10th Business Day following the Expiration Time, if the Minimum Condition has been satisfied or waived on or prior to such date and the Settlement Conditions have been satisfied or waived on or prior to such date, we will deliver the Cash Consideration and accrued and unpaid interest to, but not including, the Settlement Date, execute the New Indenture and issue the Exchange Notes in exchange for the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered (and not validly withdrawn) on or before the Expiration Time and accepted in the Exchange Offer. No Existing Floating Rate Notes or Existing Euro Fixed Rate Notes will be exchanged into Exchange Notes, no Exchange Notes will be delivered, and no payment of Cash Consideration will be made if the Minimum Condition and the Settlement Conditions are not satisfied or waived or the Exchange Offer is terminated.

On and after the Settlement Date, the tendering Existing Noteholders whose Existing Floating Rate Notes or Existing Euro Fixed Rate Notes have been exchanged by the Issuer will cease to be entitled to receive interest on such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable. The Issuer will deliver the Cash Consideration for each Eligible Holder's validly tendered and not validly withdrawn and accepted Existing Floating Rate Notes or Existing Euro Fixed Rate Notes by depositing the cash in immediately available funds therefor to the Clearing Systems for credit to the accounts of the relevant Eligible Holders. Under no circumstances will any interest be payable because of any delay in the transmission of funds to you with respect to accepted Existing Floating Rate Notes or Existing Euro Fixed Rate Notes or otherwise.

Acknowledgements, Representations, Warranties and Undertakings relating to Tenders of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes

By validly tendering (or, in the case of an Abstaining Holder, being deemed to have validly tendered) Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in the Exchange Offer, each Existing Noteholder and beneficial owner (as described below) of those Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, and (if applicable) the relevant Direct Participant on such Existing Noteholder's behalf, is deemed to acknowledge, represent and warrant and undertakes to the Issuer, the Dealer Managers, the Exchange and Information Agent and the Trustees, as applicable, that such Existing Noteholder:

- is, and will remain until the Settlement Date, an Eligible Holder, as such term is defined in this Exchange Offer Memorandum;

- is the beneficial owner of, or a duly authorized representative of one or more beneficial owners of, the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered hereby, and it has the full power and authority to tender such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes;

- has received, and reviewed this Exchange Offer Memorandum and all other documents delivered by or on behalf of the Issuer in their entirety and agrees to be bound by the terms and subject to the conditions set forth in this Exchange Offer Memorandum;

- has tendered its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes pursuant to the Exchange Offer and accepts the applicable Exchange Notes in respect of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, subject to the terms and conditions of the Exchange Offer as set forth in this Exchange Offer Memorandum and represents, warrants and agrees that any Exchange Notes acquired in exchange for tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes will have been acquired in the ordinary course of business of the persons receiving such Exchange Notes;

- acknowledges and agrees that the Exchange Offer is being made solely by the Issuer and that any securities or Cash Consideration, to be delivered to any holders or beneficial owners of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes exchanged or substituted pursuant to the Exchange Offer will be delivered to such holders or beneficial owners by the Issuer;

- (or the persons receiving the Exchange Notes) has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction, and that it (and such persons) has not taken or omitted to take any action in breach of the terms of the Exchange Offer or which will or may result in the Issuer or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Exchange Offer or the tender of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes;

- either

  (i) (A) it is the beneficial owner of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes being tendered in the Exchange Offer, (B) it did not receive in the United States a copy of this Exchange Offer Memorandum or any other document or information related to the Exchange Offer and did not send any such document or information into the United States, (C) it has not used, directly or indirectly, the mails of, or a means of communication or other means or instrumentality of commerce or the facilities of a United States securities exchange in relation to the Exchange Offer, and (D) it is not a U.S. person (within the meaning of Regulation S) and is located and resident outside the United States and it is participating in the Exchange Offer from outside the United States; or

(ii) (A) it is acting on behalf of the beneficial owner of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes being tendered in the Exchange Offer on a non-discretionary basis and has been duly authorized to so act and (B) such beneficial owner has confirmed to it and has authorized it to represent that such beneficial owner did not receive in the United States a copy of this Exchange Offer Memorandum or any other document or information related to the Exchange Offer and that it did not send any such document or information into the United States, (C) such beneficial owner has not used, directly or indirectly, the mails of, or a means of communication or other means or instrumentality of commerce or the facilities of a United States securities exchange in relation to the Exchange Offer and (D) such beneficial owner is not a U.S. person (within the meaning of Regulation S) and is located and resident outside the United States and it is participating in the Exchange Offer from outside the United States;

- declares and acknowledges that it is not a Sanctions Restricted Person;

- has reviewed and agrees to the representations and warranties listed under "*Transfer Restrictions*";

- subject to and effective upon exchange by the Issuer of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered pursuant to the Exchange Offer, irrevocably (subject to the withdrawal rights granted hereunder) and unconditionally sells, assigns and transfers to or upon the order of the Issuer or its nominee all right, title, and interest in and to the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered by it in the Exchange Offer, and such exchange will be deemed to constitute full performance by the Issuer of all of such Issuer's obligations under such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, such that thereafter it shall have no contractual or other rights or claims in law or in equity against such Issuer, or any fiduciary, trustee or other person connected with such Issuer arising under, from or in connection with such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes and it understands that the tender of Existing Floating Rate or Notes Existing Euro Fixed Rate Notes pursuant to any of the procedures described above will constitute a binding agreement with the Issuer upon the terms and subject to the conditions set forth herein, including its representation that it owns the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes being tendered;

- waives any and all rights with respect to the Exchange Offer against the Issuer (and its affiliates), the Trustees, the Dealer Managers, the Exchange and Information Agent, any financial, tax or legal advisor to any of the foregoing, and any of their affiliates, agents, officials, officers, employees or advisors, and discharges and releases any and all of the foregoing from any and all claims such Existing Noteholder or beneficial owner may have, now or in the future, arising out of or related to the Exchange Offer (other than solely with respect to the Issuer (and its affiliates), as expressly provided for in this Exchange Offer Memorandum);

- agrees that all authority conferred or agreed to be conferred pursuant to its representations, warranties and undertakings and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives and shall not be affected by, and shall survive, its death or incapacity;

- is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the Exchange Offer (except with respect to certain transfer taxes (as defined below)) and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Issuer, the Trustees, the Dealer Managers, the Exchange and Information Agent, or any other person in respect of such taxes and payments;

- constitutes and appoints the Exchange and Information Agent as its true and lawful agent and attorney-in-fact with respect to all Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered, with full power of substitution, to (a) present such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes and all evidences of transfer and authenticity to us, or upon our order, (b) present such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for transfer or cancellation, as necessary and (c) receive on behalf of such holder and beneficial owner the Exchange Notes issued upon and in exchange for the cancellation of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes;;

- constitutes and appoints the Exchange and Information Agent as its true and lawful agent and attorney-in-fact, and provides an irrevocable instruction to such attorney and agent to complete and execute all or any forms of transfer and other documents deemed necessary in the opinion of such attorney and agent in relation to Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered thereby in favor of the Issuer or such other person or persons as the Issuer may direct and to deliver such forms of transfer and other documents in the attorney's and agent's opinion and/or the certificates and other documents of title relating to the registration of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance and settlement of the Exchange Offer;

- unless it is an Abstaining Holder, is a person for whom it is lawful to participate in the Exchange Offer under applicable securities laws, it has full power and authority to submit the Exchange Instructions, and has full power and authority to tender, sell, assign and transfer the Existing Floating Rate Notes tendered by it;

- has good and marketable title to all Existing Floating Rate Notes being tendered by it, free and clear of all liens, charges, claims, encumbrances, interests, rights of third parties and restrictions of any kind;

- is otherwise a person to whom it is lawful to make available this Exchange Offer Memorandum or to make the Exchange Offer in accordance with applicable laws (including the transfer restrictions set out in this Exchange Offer Memorandum);

- will not sell, pledge, hypothecate or otherwise encumber or transfer any tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes from the date of tender and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;

- (i) holds, and will hold, until the time of cancellation for the purpose of settlement or withdrawal, its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes it has tendered and blocked in the Clearing System through which such securities are held, (ii) by submitting or procuring the submission of its Exchange Instructions to, and by blocking its holding of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in its account in, the relevant Clearing System, it will be deemed to consent to the Clearing System providing any details set forth in the Exchange Instructions to the Exchange and Information Agent (and for the Exchange and Information Agent to provide such details to the Issuer, the Existing Notes Trustee, the Dealer Managers and its and their respective advisers), and (iii) in accordance with the requirements of the Clearing Systems and by the deadline established by the Clearing System, has taken all steps necessary to authorize the blocking of its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes that have been tendered with effect on and from the date its Exchange Instructions are received, has authorized any transfers of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes by the Clearing Systems in furtherance of cancellation and settlement and, pending any such transfers relating to cancellation and settlement of such Existing Floating Rate Notes or Existing Euro Fixed Rate Note, it will not instruct or effect any transfers of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes;

- agrees and acknowledges that delivery by the Issuer of the Exchange Notes to the relevant Clearing System will discharge the obligation of the Issuer to such holder or beneficial owner of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in respect of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes and no additional amounts shall be payable to such holder or beneficial owner in the event of a delay in the transmission of the Exchange Notes, Cash Consideration and accrued and unpaid interest by the relevant participant in any Clearing System and/or any other intermediary to such holder or beneficial owner, as applicable;

- if it has submitted such Exchange Instructions through any custodian or any other holder, beneficial owner or third party acting on its behalf, has constituted and appointed such custodian, holder, beneficial owner or third party as its true and lawful agent and attorney to carry out all the necessary actions that are required to submit such Exchange Instructions pursuant to the Exchange Offer and to transfer such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes to the Issuer, and it will not revoke any instructions and/or powers-of-attorney given to such custodian, holder, beneficial owner or third party;

- represents that the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered by it are not the subject of any proceedings against the Issuer (or its affiliates), the Dealer Managers, the Exchange and Information Agent, the Existing Notes Trustee, or any of their agents, officials, officers, employees or advisors before any court or arbitral tribunal (including claims for payment of past due interest, principal or any other amount sought in connection with its tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes or for compensation of lawyers' costs and court fees);

- in evaluating the Exchange Offer and in making its decision whether to participate therein by tendering its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, has made its own independent appraisal, to its satisfaction, concerning legal, regulatory, tax, business, investment and financial considerations relating to the matters referred to herein and in any related communications, and it is not relying on any statement, representation or warranty, express or implied, made to such holder by the Issuer (other than those contained in this Exchange Offer Memorandum, as supplemented), or by any other person;

- acknowledges and agrees that the tendering of its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes pursuant to the Exchange Offer shall constitute an undertaking to execute any further documents, authorize any transfers of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes relating to the settlement of the Exchange Offer and give any further assurance that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this Exchange Offer Memorandum;

- is assuming all the risks inherent in participating in the Exchange Offer, has undertaken all appropriate analyses of the implications of the Exchange Offer without reliance on the Issuer, the Trustees, the Dealer Managers, the Exchange and Information Agent, or any of their respective affiliates or advisors, and acknowledges that there are risks incident to the acquisition of the Exchange Notes, including, without limitation, those risks which are summarized under the section entitled "*Risk Factors*" in this Exchange Offer Memorandum;

- has received a copy of this Exchange Offer Memorandum and acknowledges it has had access to the financial and other information, has been afforded the opportunity to ask questions of the Issuer and the Issuer's representatives and receive answers to those questions, as it deemed necessary in connection with its decision to tender Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in the Exchange Offer and has reviewed and accepts the issue and resale restrictions under "*Transfer Restrictions*," the risk factors, the terms and conditions of the Exchange Notes and other considerations of the Exchange Offer, all as described in this Exchange Offer Memorandum, and no statement or printed material which is contrary to this Exchange Offer Memorandum has been made or given to it by or on behalf of the Issuer (or its affiliates);

- acknowledges that none of the Issuer, the Trustees, the Dealer Managers, the Exchange and Information Agent, any financial, tax or legal advisor to any of the foregoing, or any person acting on behalf of any of the foregoing has made any statement, representation, or warranty, express or implied, to it with respect to the Issuer, the Exchange Offer, other than the information prepared by us that we have included in this Exchange Offer Memorandum (as supplemented);

- understands that the Issuer may, in its discretion, extend, re-open, or amend the Exchange Offer and/or waive any Settlement Condition (to the extent permitted by law) or terminate the Exchange Offer at any time, in whole or in part, and that in the event of a termination of the Exchange Offer, the Exchange Instructions with respect to Existing Floating Rate Notes or Existing Euro Fixed Rate Notes held through a Clearing System (including the blocking instructions) with respect to such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes will be released on the terms set forth in this Exchange Offer Memorandum;

- acknowledges that the Issuer, the Trustees, the Dealer Managers, the Exchange and Information Agent, and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements;

- agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by it by its acquisition of the Exchange Notes is no longer accurate, it will promptly notify the Issuer and withdraw its tender of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes;

- if it is acquiring any Exchange Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account;

- hereby releases and forever discharges and holds harmless each of the Trustees, their employees, officers, directors, affiliates, agents, predecessors and successors, of and from any and all manner of actions, causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, agreements, judgments, claims and demands whatsoever in law or in equity arising from and relating to the consummation of the Exchange Offer, and any transactions contemplated in connection with the Exchange Offer;

- declares and acknowledges that none of the Trustees will be held responsible for, and will hold each of the Trustees harmless from, any liabilities, losses, damages, costs, charges, expenses and/or consequences suffered or incurred by such Holder or beneficial owner as a result of any claims (whether or not successful, compromised or settled), actions, demands or proceedings brought against each Trustee and against all losses, liabilities, damages, costs, charges and expenses (including legal fees) which each of the Trustees may suffer or incur, arising as a result of acts taken by it or pursuant to the terms of the Exchange Offer or this Exchange Offer Memorandum and the Holder further declares that none of the Trustees has responsibility for the terms of the Exchange Offer or this Exchange Offer Memorandum;

- declares and acknowledges that it is a person who falls within Article 43(2) ("members and creditors of certain bodies corporate") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Order**");

- declares and acknowledges that the Issuer, the Exchange and Information Agent, the Trustees and any of their respective directors, officers, employees, agents or affiliates do not make a recommendation as to whether it should exchange its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, nor independently verified nor makes any representation or warranty, express or implied, nor assumes any responsibility as to the accuracy or adequacy of the information contained herein;

- declares it is not an affiliate of the Issuer;

- shall indemnify the Issuer, the Trustees, the Dealer Managers and the Exchange and Information Agent against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which any of them may incur or which may be made against any of them as a result of its breach of any of the terms of, or any of the representations, warranties and/or undertakings given pursuant to, the Exchange Offer (including any acceptance thereof);

- agrees and acknowledges that if any one or more of the above representations, warranties and undertakings made by or with respect to it shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining representations, warranties and undertakings made by or with respect to it, and the representations, warranties and undertakings made by or with respect to all other holder or beneficial owners of Existing Floating Rate Notes or Existing Euro Fixed Rate Note, shall in no way be affected, prejudiced or otherwise disturbed thereby; and

- (or the persons receiving Exchange Notes) is not acting on behalf of any person who could not truthfully make the foregoing representations, warranties and undertakings or those set forth in the electronic instruction.

Furthermore, an Abstaining Holder by sending Abstention Instruction acknowledges that such instruction deems that it explicitly abstains from participating in the Exchange Offer due to its inability to accept the Exchange Offer for fund constitutional or governance reasons, each Abstaining Holder is deemed to irrevocably and unconditionally acknowledge to the Issuer, the Dealer Managers, the Exchange and Information Agent and the Trustees, as applicable, that (i) it will be treated as a Participating Holder and (ii) upon successful completion of the Exchange Offer (in the sole determination of the Issuer), its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, that are the subject of such Exchange Instruction will be exchanged in and pursuant to the terms of the Exchange Offer. All references to tendering Existing Floating Rate Notes or Existing Euro Fixed Rate Notes or similar actions in the foregoing acknowledgements, representations, warranties and undertakings in respect of an Abstaining Holder should be read as such Abstaining Holder being deemed to have tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes or taken such action, unless the context indicates otherwise.

If any holder or beneficial owner of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes or the relevant Direct Participant is unable to give these acknowledgements, agreements, representations, warranties and undertakings, such holder or Direct Participant is not permitted to participate in the Exchange Offer and, if it has taken any steps to do so, should contact the Exchange and Information Agent immediately.

The representations, warranties and agreements of a person tendering Existing Floating Rate Notes or Existing Euro Fixed Rate Notes shall be deemed to be repeated and reconfirmed on and as of the Expiration Time and the Settlement Date.

For purposes of this Exchange Offer Memorandum, the “beneficial owner” of any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes shall mean any person or entity that exercises sole investment discretion with respect to such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable.

Except as described above, this Exchange Offer Memorandum may not be used for or in connection with an offer to resell, a resale or any other retransfer of any Exchange Notes.

Procedures for Tendering Existing Floating Rate Notes and Existing Euro Fixed Rate Notes

Eligible Holders who hold Existing Floating Rate Notes or Existing Euro Fixed Rate Notes through the Clearing Systems must tender their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, in compliance with the relevant Clearing System procedures. Beneficial owners whose Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are held through a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if they wish to tender Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable. Beneficial owners should be aware that their broker, dealer, commercial bank, trust company or other nominee may establish its own earlier deadline for participation in the Exchange Offer. Accordingly, beneficial owners wishing to participate in the Exchange Offer should contact their broker, dealer, commercial bank, trust company or other nominee as soon as possible in order to determine the time by which such owner must take action in order to so participate.

Custodial entities that are Direct Participants of Euroclear and Clearstream, and which desire to tender Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange, must instruct either Euroclear or Clearstream (as relevant) to block the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, in their account and transmit a notice of acceptance in respect of the exchange with respect to the tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable. Such notice of acceptance (including a confirmation of blocking) must be timely received by the Exchange and Information Agent from Euroclear or Clearstream via an appropriate Society for Worldwide Interbank Financial Telecommunication (SWIFT) message.

The receipt of an Exchange Instruction by the relevant Clearing System will be acknowledged by such Clearing System in accordance with the procedures of that Clearing System and will result in the blocking of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes represented by such Exchange Instruction until the earlier of (i) the time of settlement on the Settlement Date, and (ii) the date of any termination of the Exchange Offer (including where such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, are not accepted for exchange) or on which the Exchange Instruction is validly withdrawn. Each Eligible Holder that submits an Exchange Instruction must take the appropriate steps through the relevant Clearing System necessary to ensure that no transfers can be effected in relation to such blocked Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in accordance with the requirements of the relevant Clearing System and the deadlines required by such Clearing System.

When submitting an Exchange Instruction via the relevant Clearing System, a Noteholder (or the relevant Direct Participant on its behalf) must follow the procedures described in the relevant Clearing System Notice as being applicable to “Option 1 – Exchange Instruction”.

Euroclear or Clearstream may impose additional deadlines in order to properly process Exchange Instructions. As part of tendering Existing Floating Rate Notes or Existing Euro Fixed Rate Notes through Euroclear or Clearstream, holders should be aware of and comply with any such deadlines.

ONLY DIRECT PARTICIPANTS MAY SUBMIT INSTRUCTIONS. EACH ELIGIBLE HOLDER THAT IS NOT A DIRECT PARTICIPANT MUST ARRANGE FOR THE DIRECT PARTICIPANT THROUGH WHICH SUCH EXISTING NOTEHOLDER HOLDS ITS EXISTING FLOATING RATE NOTES OR EXISTING EURO FIXED RATE NOTES, AS APPLICABLE, TO SUBMIT AN INSTRUCTION ON ITS BEHALF TO THE RELEVANT CLEARING SYSTEM BEFORE THE DEADLINES SPECIFIED BY THE RELEVANT CLEARING SYSTEM, WHICH MAY BE EARLIER THAN THE DEADLINES SPECIFIED IN THIS EXCHANGE OFFER MEMORANDUM.

UNDER NO CIRCUMSTANCES SHOULD ANY PERSON TENDER OR DELIVER EXISTING FLOATING RATE NOTES OR EXISTING EURO FIXED RATE NOTES TO THE ISSUER, THE EXCHANGE AND INFORMATION AGENT OR THE EXISTING NOTES TRUSTEE AT ANY TIME.

The Issuer has designated both Clearstream and Euroclear as "**Designated Clearing Systems**" for purposes of the Exchange Offer.

Certain Eligible Holders of the Existing Floating Rate Notes may be unable, for fund constitutional or governance reasons, to validly tender their Existing Floating Rate Notes in the Exchange Offer (each such Eligible Holder, a "**Specific CLO Holder**"). Each Specific CLO Holder may submit, or arrange to have submitted on its behalf, an Exchange Instruction by which it explicitly abstains from participating in the Exchange Offer for fund constitutional or governance reasons, but in which it acknowledges that in the event the Exchange Offer is successfully completed (in the sole determination of the Issuer), it will be deemed to be a Participating Holder and its Existing Floating Rate Notes will be exchanged in the Exchange Offer (each such Specific CLO Holder, an "**Abstaining Holder**" and, each such Exchange Instruction, an "**Abstention Instruction**"). When submitting such Abstention Instruction via the relevant Clearing System, an Eligible Holder (or the relevant Direct Participant on its behalf) must follow the procedures described in the relevant Clearing System Notice as being applicable to "Option 2 – Abstention Instruction". By submitting such Abstention Instruction, an Abstaining Holder, is deemed to acknowledge that (i) it explicitly abstains from participating in the Exchange Offer due to its inability to accept the Exchange Offer for fund constitutional or governance reasons, and (ii) irrevocably and unconditionally acknowledges that (x) it will be treated as a Participating Holder and (y) upon successful completion of the Exchange Offer (in the sole determination of the Issuer), its Existing Floating Rate Notes which are the subject of such Exchange Instruction will be exchanged in and pursuant to the terms of the Exchange Offer. For the avoidance of doubt, a Specific CLO Holder who fails to submit an Abstention Instruction in the manner described above for any of its Existing Floating Rate Notes will not be considered to be an Abstaining Holder and none of its Existing Floating Rate Notes will be exchanged in the Exchange Offer.

Separate Exchange Instructions

A separate Exchange Instruction must be completed for each of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes on behalf of each beneficial owner thereof. When submitting an Exchange Instruction via the relevant Clearing System, a Noteholder (or the relevant Direct Participant on its behalf) must follow the procedures described in the relevant Clearing System Notice as being applicable to "Option 1 – Exchange Instruction". When submitting such Abstention Instruction via the relevant Clearing System, an Eligible Holder (or the relevant Direct Participant on its behalf) must follow the procedures described in the relevant Clearing System Notice as being applicable to "Option 2 – Abstention Instruction".

Effectiveness of Tenders

For your tender of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes to be effective, your Exchange Instructions must be received by the Exchange and Information Agent, via Clearstream or Euroclear, as applicable, in accordance with the requirements of such Clearing System, no later than the Expiration Time. You are responsible for arranging the valid and timely delivery of your tender. None of the Issuer, the Exchange and Information Agent, the Existing Notes Trustee, the Dealer Managers or any other person will be responsible for the submission of tenders by:

- holders (or brokers, dealers, banks, trust companies, trustees or other custodians on their behalf) to Direct Participants in a Designated Clearing System; or

- Direct Participants (whether on their own behalf or on behalf of holders who are not Direct Participants) to the Designated Clearing Systems;

The Issuer can offer no assurance that any custodian, Direct Participant or Clearing System will follow the procedures outlined above for purposes of effecting your tender of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as these procedures are entirely within such parties' discretion.

Irregularities

All questions regarding the validity, form and eligibility, including time of receipt or revocation or revision, of any tender of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, will be determined by the Issuer in its sole discretion, which determination will be final and binding. The Issuer reserves the absolute right to reject any and all tenders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes not timely made or in proper form or for which any corresponding agreement by the Issuer to exchange would, in the opinion of the Issuer's counsel, be unlawful. The Issuer reserves the absolute right to waive any of the conditions of the Exchange Offer or defects in tenders. None of the Issuer, the Existing Notes Trustee, the Exchange and Information Agent, the Dealer Managers or any other person shall be under any duty to give notice to you, as the tendering holder, of any irregularities in any tender, nor shall any of them incur any liability for the failure to give such notice.

Exchange Instructions submitted by Sanctions Restricted Persons will not be accepted.

A beneficial owner of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes who is a Sanctions Restricted Person may not participate in the Exchange Offer. No Exchange Instruction submitted by a Sanctions Restricted Person will be accepted or counted in any circumstances, notwithstanding the purported delivery (and non-withdrawal) of an Exchange Instruction by it in respect of the Exchange Offer on or before the applicable deadline.

Withdrawal of Tenders

Tenders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes pursuant to the Exchange Offer may be validly withdrawn at any time on or prior to the Expiration Time. After such time, validly tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange may only be withdrawn if the Issuer makes changes to the terms of the Exchange Offer, which in the opinion of the Issuer (in consultation with the Dealer Managers), would be materially prejudicial to those Eligible Holders who have already validly offered their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes by submitting a valid Exchange Instruction, in which case the Issuer will disseminate an Exchange Offer Memorandum supplement or a press release (at the option of the Issuer) and will extend the Exchange Offer to the extent required by applicable law in order to permit Eligible Holders adequate time to consider these materials, and in certain circumstances, to permit Noteholders to withdraw their tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes.

If a holder validly withdraws previously tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, such holder will not receive any Exchange Notes or Cash Consideration in respect of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, unless such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are validly re-tendered on or prior to the deadlines discussed above.

The Direct Participant acting on your behalf may withdraw your tender by requesting so to the Exchange and Information Agent. To be effective, a notice of withdrawal must be received by the Exchange and Information Agent through the procedures of either Euroclear or Clearstream, in each case not later than the Expiration Time.

Eligible Holders of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are advised to inform themselves with the bank, securities broker or any other intermediary through which they hold their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes whether such intermediary would require receiving instructions to participate in, or withdraw their instruction to participate in, the Exchange Offer on or prior to the deadlines set out in this Exchange Offer Memorandum.

Any Existing Floating Rate Note or Existing Euro Fixed Rate Note properly withdrawn will be deemed to be not validly tendered for purposes of the Exchange Offer. However, such Floating Rate Existing Note or Existing Euro Fixed Rate Note may be tendered again, pursuant to the terms of the Exchange Offer.

We can offer no assurance that any custodian, Direct Participant or Clearing System will follow the procedures necessary to withdraw your tender, as these procedures are entirely within such parties' discretion.

All questions as to the validity, form, eligibility, time of receipt and acceptance of all withdrawals of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes will be determined by the Issuer, in its sole discretion, which determination will be final and binding. Alternative, conditional or contingent withdrawals will not be considered valid. The Issuer reserves the absolute right to reject any or all withdrawals of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, determined by the Issuer not to be in proper form or if the acceptance or exchange for such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes may, in the opinion of the Issuer's counsel, be unlawful. The Issuer also reserves the absolute right to waive any defect, irregularity or condition of tenders to particular Existing Floating Rate Notes or Existing Euro Fixed Rate Notes. A waiver of a defect with respect to one withdrawal will extend to that withdrawal or delivery only unless the Issuer expressly provides otherwise, and will not obligate the Issuer to waive the same or any other defect with respect to any other withdrawal unless the Issuer expressly provides otherwise. The Issuer's interpretations of the terms and conditions of the Exchange Offer will be final and binding on all parties. Unless waived by the Issuer, any defects or irregularities in connection with withdrawals of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes must be cured within such time as the Issuer determines. Withdrawals of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes will not be considered to have been valid until all defects and irregularities have been waived by the Issuer or cured. None of the Issuer, the Existing Notes Trustee, the Exchange and Information Agent, the Dealer Managers or any other person will be under any duty to give notice of any defects or irregularities in any withdrawal of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes nor shall any of them incur any liability for failure to give such notification.

Subject to applicable regulations, if, for any reason whatsoever, acceptance for exchange of any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered pursuant to the Exchange Offer is delayed (whether before or after the Issuer's acceptance for exchange of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes) or the Issuer extends the Exchange Offer or is unable to accept for exchange the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered pursuant to the Exchange Offer, then, without prejudice to their rights set forth herein, the Issuer may instruct the Exchange and Information Agent to retain tendered Existing Floating Rate Notes or Existing Euro Fixed Rate Notes and those Existing Floating Rate Notes or Existing Euro Fixed Rate Notes may not be withdrawn, except to the extent that you are entitled to the withdrawal rights set forth herein.

Appraisal Rights

You will not have any right to dissent and receive appraisal of your Existing Floating Rate Notes or Existing Euro Fixed Rate Note in connection with the Exchange Offer.

Transfer Taxes

Holders will generally not be obligated to pay any transfer, documentary, court, stamp or similar taxes ("**transfer taxes**") imposed with respect to the tender of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in the Exchange Offer unless a holder instructs the Issuer to register Exchange Notes in the name of, or requests that Existing Floating Rate Notes or Existing Euro Fixed Rate Notes not tendered or accepted in the Exchange Offer be returned to, a person other than the registered tendering holder. In those cases, such holder will be responsible for the payment of any applicable transfer taxes.

Announcements

Prior to the Expiration Time, the Issuer will announce the Cash Consideration amount to be offered in connection with the Exchange Offer.

As soon as reasonably practicable after the Expiration Time, the Issuer expects to announce the aggregate principal amounts of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered for exchange as of the Expiration Time and accepted pursuant to the Exchange Offer.

Any extension, termination or amendment of the Exchange Offer will be followed as promptly as practicable by announcement thereof, such announcement in the case of an extension of the Exchange Offer to be issued no later than 10:00 a.m., London time, on the next Business Day following the previously scheduled Expiration Time. Such announcement will state that the Issuer is extending the Expiration Time, as the case may be, for a specified period. During any such extension, all Existing Floating Rate Notes and Existing Euro Fixed Rate Notes previously tendered in an extended Exchange Offer will remain subject to the Exchange Offer and may be accepted for exchange by us to the extent not validly withdrawn during such period.

Without limiting the manner in which the Issuer may choose to make such announcement, subject to applicable laws (including the transfer restrictions set out in this Exchange Offer Memorandum), the Issuer will not, unless otherwise required by law, have any obligation to publish, advertise or otherwise communicate any such announcement other than by making a release to an appropriate news agency or another means of announcement reasonably calculated to inform holders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes as the Issuer deems appropriate.

Conditions to the Exchange Offer

Notwithstanding any other provisions of the Exchange Offer, the Issuer will not be required to, and shall not, accept for exchange Existing Floating and Existing Euro Fixed Rate Notes Rate Notes validly tendered (and not validly withdrawn) pursuant to the Exchange Offer, and may terminate, withdraw, amend or extend the Exchange Offer, subject in each case to the terms of this Exchange Offer Memorandum, or delay or refrain from accepting, or exchanging, such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, or transferring any applicable offer consideration, if at any time prior to the consummation of the Exchange Offer the Issuer determines, in its sole judgment, and, in each case, subject to applicable law, that any of the following conditions shall not have been satisfied or waived by the Issuer (together, other than the Minimum Condition, the "**Settlement Conditions**"):

- the Minimum Condition shall have been satisfied, or waived, in accordance with this Exchange Offer Memorandum;

- the New Notes Trustee (or persons performing a similar function) shall have entered into the New Indenture, and the applicable security documents and ancillary documents shall have been amended, restated or otherwise been produced to give effect to the Collateral for the Exchange Notes;

- each of the Issuer and the Guarantors shall have taken all necessary steps to authorize the Exchange Offer, as well as all transactions contemplated thereby, including the issuance of the Exchange Notes;

- the Exchange Offer has not been determined to violate any applicable law, and no order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in the Issuer's sole judgment, either (a) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer or any of the other Transactions, or (b) is, or is reasonably likely to be, materially adverse to the Group's business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects;

- (a) neither the Existing Notes Trustee for the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes nor any holder of any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes nor any holder of indebtedness of the Group (or any agent or trustee therefor) shall have (i) asserted in any fashion that a default or event of default exists with respect to the Existing Floating Rate Notes, Existing Euro Fixed Rate Notes or other indebtedness or would result from the consummation of the Exchange Offer or (ii) objected in any respect to, or taken action that could (in the Issuer's sole judgment) adversely affect, the consummation of the Exchange Offer or shall have taken any action that challenges the validity or effectiveness of the procedures used by the Issuer in the making of the Exchange Offer or the acceptance of some or all of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered pursuant to the Exchange Offer, and (b) there shall not have been instituted, threatened or be pending any action, proceeding or investigation (whether formal or informal) (and there shall not have been any material adverse development with respect to any action or proceeding currently instituted, threatened or pending) before or by any court, governmental, regulatory or administrative agency or instrumentality, or by any other person, in connection with the Exchange Offer that alleges that any director, officer, trustee, partner, managing member, employee, agent or fiduciary of the Issuer or any of its affiliates violated any law or duty that, in the Issuer's sole judgment either (i) is, or is reasonably likely to be, materially adverse to the Group's business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects, (ii) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer, or (iii) would materially impair the contemplated benefits of the Exchange Offer to the Issuer or be material to eligible holders in deciding whether to accept the Exchange Offer;

- there does not exist, in the Issuer's sole judgment, any actual or threatened legal impediment to the acceptance for exchange of, or exchange of, the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes pursuant to the Exchange Offer, or the consummation of any of the Transactions, including the issuance of the Exchange Notes;

- the consummation of the Exchange Offer would, in the Issuer's sole judgment, violate any terms of the Issuer's or its subsidiaries' existing obligations;

- if any of the following events have occurred (a) trading generally shall have been suspended or materially limited on the London Stock Exchange, the New York Stock Exchange, the Exchange or the over-the-counter market, (b) trading of any securities issued or guaranteed by the Company or any of the Guarantors shall have been suspended on any exchange or in any over-the-counter market, (c) a general moratorium on commercial banking activities shall have been declared by U.S. Federal or New York State authorities or by the competent governmental or regulatory authorities in the United Kingdom, (d) there shall have occurred any outbreak or escalation of hostilities or any change in the United States or the United Kingdom financial markets or any calamity, crisis, or emergency either within such countries or outside the United States that, in the judgment of the Issuer, is material and adverse and makes it impracticable or inadvisable to proceed with the Exchange Offer on the terms and in the manner contemplated by Exchange Offer Memorandum, (e) an adverse change or a prospective adverse change shall have occurred in the United States or the United Kingdom taxation affecting the Exchange Notes or the transfer thereof or exchange controls shall have been imposed by the United States or the United Kingdom, (f) a material impairment or significant adverse change in pricing in the trading market for debt securities, (g) any limitation (whether or not mandatory) by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, or other event that, in the Issuer's reasonable judgment, might affect the extension of credit by banks or other lending institutions or (h) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof; and

- there shall not have occurred or be likely to occur any event or condition affecting the Issuer or any of the Group entities (including, without limitation, the consummation of the Exchange Offer) that, in the Issuer's sole judgment (a) is, or could reasonably be expected to be, materially adverse to the Group's business, operations, properties, condition (financial or otherwise), assets, liabilities, or prospects, taken as a whole, (b) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer, (c) would materially impair the contemplated benefits of the Exchange Offer or (d) would result in a default or event of default under any indenture or agreement governing any other indebtedness of the Group or any other material agreement of the Group.

These conditions are solely for the Issuer's benefit and may be asserted by the Issuer or may be waived by the Issuer at any time and from time to time, subject to applicable law and the terms set forth in this Exchange Offer Memorandum. Further, subject to applicable law and the terms set forth in this Exchange Offer Memorandum, the Issuer reserves the right to waive any and all conditions to the Exchange Offer, in whole or in part, and may do so without reinstating withdrawal or revocation rights.

If the Issuer determines, in its sole judgment, that any of the foregoing conditions shall not have been satisfied or waived with respect to the Exchange Offer, subject to the termination rights described above, the Issuer may, subject to applicable law, (i) return the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes tendered thereunder to the tendering holder, (ii) extend the Expiration Time and retain all Existing Floating Rate Notes and Existing Euro Fixed Rate Notes tendered pursuant to the Exchange Offer until the expiration of the extended Exchange Offer or (iii) amend the Exchange Offer in any respect by giving oral or written notice of such amendment to the Exchange and Information Agent and making public disclosure of such amendment to the extent required by law. See *"—Announcements*."

The Issuer has not made a decision as to what circumstances would lead it to waive any such condition, and any such waiver would depend on circumstances prevailing at the time of such waiver. Although the Issuer has no present plans or arrangements to do so, it reserves the right to amend, at any time, the terms of the Exchange Offer, subject to the terms of this Exchange Offer Memorandum and applicable law. The Issuer will give holders notice of such amendments as may be required by applicable law.

Governing Law and Jurisdiction

Each Exchange Instruction submitted in a jurisdiction in which the Exchange Offer is being extended on the basis of this Exchange Offer Memorandum will be governed by, and construed in accordance with, the laws of the State of New York. By submitting an Exchange Instruction, you (and the Direct Participant on your behalf) irrevocably and unconditionally agree for the benefit of the Issuer, the Dealer Managers and the Exchange and Information Agent that any U.S. Federal or New York State court in the Borough of Manhattan in the City, County and State of New York, United States of America are to have jurisdiction to settle any disputes which may arise out of or in connection with the Exchange Offer or any of the documents referred to in this Exchange Offer Memorandum and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

Purchases of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes During or After the Pendency of the Exchange Offer

The Issuer and its affiliates reserve the right, in their absolute discretion, to purchase, exchange or offer to purchase or exchange any Existing Floating Rate Notes and Existing Euro Fixed Rate Notes in the open market, in privately negotiated transactions or otherwise during the pendency of the Exchange Offer or thereafter. Any such purchase, exchange or offer to purchase or exchange will be made in accordance with applicable law. The terms of any such purchases, exchanges or offers could differ from the terms of the Exchange Offer.

DESCRIPTION OF THE NEW NOTES

You will find definitions of certain capitalized terms used in this "Description of the New Notes" under the heading "Certain Definitions" below.

In connection with the Exchange Offer (as defined elsewhere in this Exchange Offer Memorandum), Sherwood Financing plc (the "**Issuer**") intends to issue, and the Guarantors (as defined herein) intend to guarantee, the euro-denominated senior secured floating rate notes due 2029 (the "**Exchange Notes**"), for an aggregate principal amount, to be determined by the Issuer in its sole discretion on the Announcement Date. In addition, concurrently with the Exchange Offer, the Issuer intends to issue, and the Guarantors intend to guarantee, (i) new senior secured floating rate notes due 2029 (the "**New Money Floating Rate Notes**"), (ii) new senior secured euro fixed rate notes due 2029 (the "**New Euro Fixed Rate Notes**") and (iii) new senior secured sterling fixed rate notes due 2029 (the "**New Sterling Fixed Rate Notes**" and, together with the New Money Floating Rate Notes and the New Euro Fixed Rate Notes, the "New Money Notes" and, together with the Exchange Notes, the "**New Notes**" or the "**Notes**") in a separate offering (the "**New Money Notes Offering**"), in each case, for cash consideration. The Exchange Notes and the New Money Floating Rate Notes, if any, will have identical terms, form a single class issued under the New Indenture (as defined herein), and are together referred to in this "*Description of the New Notes,*" as the "**New Floating Rate Notes**."

The Issuer is a public limited company incorporated under the laws of England and Wales, which has been organized as a special purpose finance subsidiary of Sherwood Parentco Limited (the "**Parent**"), a private limited company incorporated under the laws of England and Wales, to facilitate the offering of debt securities, and has no business operations or material assets other than its rights under certain intercompany loans made to Sherwood Financing 2 Limited ("**Finco**"), a subsidiary of the Parent, from the proceeds of the previous financings.

In this "*Description of the New Notes,*" the "**Parent**" refers only to Sherwood Parentco Limited, the parent of the Issuer, and any successor obligor to Sherwood Parentco Limited on the Parent Guarantee (as defined herein), and not to any of its subsidiaries, including the Issuer; and the "**Issuer**" refers only to Sherwood Financing plc, and any successor obligor to Sherwood Financing plc on the Notes.

The Issuer will issue the Notes under an indenture (the "**Indenture**" or the "**New Indenture**") to be dated as of the Issue Date (as defined herein), among, *inter alios*, the Issuer, the Parent, the other Guarantors (as defined herein), Sherwood Midco Limited, the direct parent of the Parent ("**Midco**") and GLAS Trust Company LLC, as trustee (the "**Trustee**"). The Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act (as defined herein). See "*Transfer Restrictions.*" The terms of the Notes include those stated in the Indenture. The Indenture will not be qualified under, incorporate provisions by reference to, or otherwise be subject to, the Trust Indenture Act of 1939, as amended. The Indenture will be unlimited in aggregate principal amount.

The Indenture, the Notes and the Note Guarantees (as defined herein) will be subject to the terms of the Intercreditor Agreement (as defined herein) and any additional intercreditor agreements entered into in the future. The terms of the Intercreditor Agreement are important to understand the terms and ranking of the Liens on the Collateral securing the Notes and the Note Guarantees. See "*Description of Other Indebtedness—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

This "*Description of the New Notes*" is intended to be an overview of the material provisions of the Indenture, the Notes and the Note Guarantees. Since this description of the terms of the Notes is only a summary, you should refer to the Indenture for complete descriptions of the obligations of the Issuer, Midco and the Guarantors, and your rights. Copies of the Indenture, the form of Notes and the Intercreditor Agreement will be available as set forth under "*Where You Can Find More Information.*"

Summary Description of the Notes

The Notes

The Notes will:

- be senior obligations of the Issuer;
- be secured by the Collateral described below along with obligations of the Issuer under the Revolving Facilities Agreement, Hedging Obligations, certain operating facilities, if any, and the Outstanding Existing Notes, *provided* that any liabilities in respect of obligations under the

Revolving Facilities Agreement, Hedging Obligations and certain operating facilities that are secured by the Collateral or a portion thereof, as applicable, will receive priority over the Holders of the Notes and the holders of the Outstanding Existing Notes, with respect to any proceeds received upon any enforcement action over such Collateral;

- rank *pari passu* in right of payment with all of the Issuer's existing and future Indebtedness that is not subordinated in right of payment to the Notes, including the Outstanding Existing Notes and the Revolving Facilities, if any;

- be senior to all of the Issuer's existing and future Subordinated Indebtedness (as defined herein), if any;

- be effectively subordinated in right of payment to any existing and future obligations of the Issuer that are guaranteed by subsidiaries that do not guarantee the Notes, including in the case of the Outstanding Existing Notes to the extent of the guarantees by Quest Topco Limited, Quest Bidco Limited, Quest Newco Limited, each of which are non-trading holding companies without any material assets or liabilities.

- be effectively senior to all of the Issuer's existing and future unsecured indebtedness to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and

- be guaranteed by the Guarantors on a joint and several basis, subject to the guarantee limitations described herein.

Principal and Maturity

On the Issue Date, in connection with the Exchange Offer and/or the New Money Notes Offering, the Issuer will issue the New Floating Rate Notes, the New Euro Fixed Rate Notes and the New Sterling Fixed Rate Notes, in each case, for an aggregate principal amount as determined by the Issuer in its sole discretion.

The New Floating Rate Notes will mature on December 15, 2029. The New Floating Rate Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and/or Clearstream.

If the due date for any payment in respect of any Notes is not a Business Day, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest

New Floating Rate Notes

Interest on the New Floating Rate Notes will accrue at a rate per annum computed against the principal outstanding on the New Floating Rate Notes (the "**Applicable Rate**"), reset quarterly, equal to three-month EURIBOR (with a 0% floor), plus a margin rate, which we expect to communicate to the Eligible Holders by the second business day prior to the Expiration Time. The Applicable Rate shall be determined by the calculation agent (the "**Calculation Agent**"), which shall initially be Global Loan Agency Services Limited.

Interest on the New Floating Rate Notes will be payable in cash quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on March 15, 2025, to Holders of record on the immediately preceding Business Day. Interest on the New Floating Rate Notes will accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid.

If the interest payment date in respect of any New Floating Rate Notes is not a Business Day, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

The Calculation Agent will, as soon as practicable after 11:00 a.m. London time, on each Determination Date, determine the Applicable Rate, and calculate the aggregate amount of interest payable on the New Floating Rate Notes in respect of the following Interest Period (the "**Interest Amount**"). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of New Floating Rate Notes outstanding at the commencement of the Interest Period, multiplying such amount by the actual number of days in the Interest Period concerned divided by 360.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point being rounded upwards (*e.g.* 4.876545% (or 0.04876545) being rounded to 4.87655% (or 0.0487655)). All euro amounts used in or resulting from calculations will be rounded to the nearest euro cent (with one half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be binding on all parties. The Trustee and the Paying Agent shall not be responsible for, nor incur any liability in connection with, any loss resulting from any calculation made, or intended to be made, by the Calculation Agent.

The Calculation Agent will, upon the written request of the holder of any New Floating Rate Notes, provide the interest rate then in effect with respect to the New Floating Rate Notes. The rights of holders of beneficial interests in the New Floating Rate Notes to receive the payments of interest on the New Floating Rate Notes will be subject to applicable procedures of Euroclear and Clearstream, as applicable.

Interest will be computed on the basis of a 360-day year and the actual number of days elapsed. The Applicable Rate on the New Floating Rate Notes will in no event be higher than the maximum rate permitted by applicable law.

Set forth below is a summary of certain defined terms to be used in the Indenture relating to the calculation of interest on the New Floating Rate Notes.

"**Determination Date**," with respect to an Interest Period, will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period, except that the initial determination date shall be the Issue Date.

"**EURIBOR**," with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on page EURIBOR01 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate), as of 11:00 a.m. Brussels time, on the Determination Date. Unless the immediately following paragraph applies, if such Thomson Reuters page does not include such a rate or is unavailable on a Determination Date, the Issuer will request the principal office of each of four major banks in the euro zone interbank market, as selected by the Issuer in consultation with the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the euro zone interbank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Issuer will request each of three major banks in London, as selected by the Issuer in consultation with the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., Brussels time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period. In no event shall EURIBOR be less than 0.00%.

In the event that EURIBOR is no longer being calculated or administered, is no longer generally representative of the underlying market which EURIBOR seeks to represent on the Issue Date or is otherwise no longer generally accepted in the euro zone for the purposes of determining floating rates of interest in respect of euro-denominated securities, the rate of interest on the New Floating Rate Notes will thereafter be determined on an alternative basis by reference to any successor rate (including any generally accepted adjustment spread) generally accepted in the euro zone for the purposes of determining floating rates of interest in respect of euro-denominated securities which originally referenced EURIBOR, as identified by the Issuer in good faith; *provided* that, in the event that there is no generally accepted successor rate to EURIBOR in the good faith judgment of the Issuer, the Issuer, in consultation with an independent financial advisor, shall determine a reasonably appropriate alternative basis for determining the rate of interest (and including any applicable adjustment spread to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to holders of the New Floating Rate Notes as a result of the replacement of EURIBOR) on the New Floating Rate Notes; provided, however, that any such alternative basis adopted pursuant to this paragraph shall in all cases not be less than 0.00%. Following the adoption of an alternative basis pursuant to this paragraph, all references to "**EURIBOR**" in the Indenture shall be deemed to refer to such alternative basis. The Issuer shall promptly thereafter notify the holders on the New Floating Rate Notes and (by way of an Officer's Certificate) the Calculation Agent of the alternative basis for determining the rate of interest of the New Floating Rate Notes in place of EURIBOR, and the Calculation Agent shall be entitled to rely on such Officer's Certificate (without further enquiry, investigation, verification or liability of any kind whatsoever) as sufficient evidence thereof. Holders of the New Floating Rate Notes shall be bound by any such alternative basis without any further action or consent by the holders of the New Floating Rate Notes or the Trustee. Under the terms of the Indenture, the Trustee shall be permitted to agree, without consent of the Holders of the New Floating Rate Notes, to make conforming changes to the provisions (as recommended or put forward by an independent financial adviser) to reflect the mechanics for the determination of interest under the chosen alternative basis.

"**Thomson Reuters Page EURIBOR01**" means the display page so designated on Thomson Reuters (or such other page as may replace that page on that service, or, if no such page is available, such other service as may be nominated as the information vendor).

"**euro zone**" means the region comprised of member states of the European Union that have adopted the euro.

"**Interest Period**" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on the Issue Date and end on and exclude March 15 , 2025.

"**Representative Amount**" means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"**TARGET Settlement Day**" means any day on which the T2 System is open for the settlement of payments in euro.

Additional Notes

From time to time, subject to the Parent's compliance with the covenant described under the heading "—*Certain covenants—Limitation on Indebtedness*," the Issuer is permitted to issue additional Notes, which shall be subject to the provisions of the Indenture, except as otherwise specified in or consequent on the terms specified in an Officer's Certificate provided by the Issuer to the Trustee and the Paying Agent ("**Additional Notes**"). The Officer's Certificate will set out:

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) the denominations in which such Additional Notes shall be issued and redeemed;

(8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes; and

(9) the date or dates on which such Additional Notes shall mature.

Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the New Notes*," references to (i) "**Notes**" shall be deemed to include references to the Notes to be issued on the Issue Date as well as any Additional Notes, (ii) "**Additional Notes**" shall be deemed to include references to Additional Notes that are New Floating Rate Notes, New Euro Fixed Rate Notes, New Sterling Fixed Rate Notes and any other Additional Notes issued under the Indenture, (iii) "**New Floating Rate Notes**" shall be deemed to include references to the New Floating Rate Notes to be issued on the Issue Date as well as any Additional Notes that are New Floating Rate Notes, (iv) "**New Euro Fixed Rate Notes**" shall be deemed to include references to the New Euro Fixed Rate Notes to be issued on the Issue Date as well as any Additional Notes that are New Euro Fixed Rate Notes, and (v) "**New Sterling Fixed Rate Notes**" shall be deemed to include references to the New Sterling Fixed Rate Notes to be issued on the Issue Date as well as any Additional Notes that are New Sterling Fixed Rate Notes. Additional Notes shall be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. For all purposes other than U.S. federal income tax purposes, Additional Notes shall be deemed to form one series with any Notes previously issued if they have terms substantially identical in all material respects to such other Notes. In the event that any Additional Notes sold pursuant to Rule 144A are not fungible with any Notes previously issued for U.S. federal income tax purposes, such non-fungible Additional Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued Notes. Additional Notes sold pursuant to Regulation S from time to time may at the option of the Issuer be issued with the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued without being fungible with such series of initial Notes for U.S. federal income tax purposes. **Any U.S. holders considering participation in the Exchange Offer or the New Money Notes Offering pursuant to Regulation S or a purchase of Notes in the secondary market should consult their tax advisors concerning the particular U.S. federal income tax consequences to them of the purchase, ownership and disposition of the Notes, including with respect to the potential issuance of Additional Notes that are not fungible with the applicable series of Notes previously issued for U.S. federal income tax purposes, but which nevertheless are not capable of being separately identified.**

Methods of Receiving Payments on the Notes

Principal, premium, if any, interest and Additional Amounts (as defined under "*—Additional Amounts*"), if any, on the Global Notes (as defined under "*—Transfer and Exchange*") will be payable at the specified office or agency of one or more Paying Agents (as defined under "*—Paying Agent, Registrar and Transfer Agent for the Notes*"); *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a nominee of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities ("**Definitive Registered Notes**") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by wire transfer to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent, Registrar and Transfer Agent for the Notes.*"

Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain one or more paying agents (each, a "**Paying Agent**") for the Notes for so long as the Notes are held in registered form. The initial Paying Agent for the Notes will be GLAS Trust Company LLC.

The Issuer will also maintain (i) one or more registrars (each, a "**Registrar**") and (ii) a transfer agent (the "**Transfer Agent**"). The initial Registrar and Transfer Agent will be GLAS Trust Company LLC. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and the Paying Agent and the Transfer Agent (as applicable) will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. The Transfer Agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agent, Calculation Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders. However, for so long as the Notes are listed on the Official List of The International Stock Exchange (the "**Exchange**"), and if and to the extent that the rules of The International Stock Exchange Authority Limited (the "**Authority**") so require, the Issuer will notify the Authority of any change of Paying Agent, Registrar or Transfer Agent. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Transfer and Exchange

The Notes will be issued in the form of one or more registered notes in global form without interest coupons, as follows:

- Each series of the Notes sold, pursuant to the New Money Notes Offering, within the United States to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and who are "qualified purchasers" (as defined in the U.S. Investment Company Act) ("**Qualified Purchasers**") will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Rule 144A Global Notes**").

- Each series of the Notes issued to holders of Existing Notes pursuant to the Exchange Offer, or sold to persons pursuant to the New Money Notes Offer, who are not U.S. persons and are outside the United States in offshore transactions pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**").

- Each of the Rule 144A Global Notes and the Regulation S Global Notes will, on the Issue Date, be deposited with the common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("**Book-Entry Interests**") will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions.*" In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the Rule 144A Global Notes (the "**144A Book-Entry Interests**") may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**") only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the Issue Date, ownership of Regulation S Book-Entry Interests will be limited to Persons that have accounts with Euroclear or Clearstream or Persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a "**qualified institutional buyer**" within the meaning of Rule 144A, and, also a Qualified Purchaser, in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

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 Notes and a corresponding increase in the principal amount of the Rule 144A Global Notes.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

In the event Additional Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series, including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes on or prior to the date of issuance of such Additional Notes, will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series. Such a restriction could adversely impact the liquidity of sales of Book-Entry Interests in the Regulation S Global Notes. See also "*Risk Factors—Risks relating to our financial profile, the Exchange Notes and the Note Guarantees—Additional New Notes may not be fungible with the Exchange Notes for U.S. federal income tax purposes aAdditional New Floating Rate Notes are issued pursuant to Regulation*," "*Book-Entry, Delivery and Form—Transfers*" and "*—Additional Notes*."

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of £100,000 or €100,000 aggregate principal amount and integral multiples of £1,000 or €1,000 in excess thereof, as the case may be, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Board of Directors or an Officer of the Parent or the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions.*"

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged in whole or in part, in minimum denominations of £100,000 or €100,000 in aggregate principal amount and integral multiples of £1,000 or €1,000 in excess thereof, as the case may be. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer will not be required to register the transfer or exchange of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Notes;

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer (as defined under "*—Change of Control*") or an Asset Disposition Offer (as defined under "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*"); or

(5) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

The Issuer, the Trustee, the Paying Agent, the Registrar and the Transfer Agent will be entitled to treat the Holder as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

All the Parent's Subsidiaries are Restricted Subsidiaries on the Issue Date, except for our Jersey fund management group, consisting of (i) AGG Capital Management (Holdco) Limited ("**ACMH**"), (ii) AGG Capital

Management Limited ("**ACML**"), which is ACMH's direct Subsidiary and our main fund management entity, and (iii) ACML's Subsidiaries, which include, among others, general partners of the various funds managed by ACML. Each of the foregoing is an Unrestricted Subsidiary. In the circumstances described below under the definition of "**Unrestricted Subsidiary**," the Parent will be permitted to designate additional Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants contained in the Indenture.

Note Guarantees

The obligations of the Issuer pursuant to the Notes will be unconditionally guaranteed, jointly and severally, on or about the Issue Date, by the Parent, Finco, Bidco, Arrow Global Group Limited, Arrow Global One Limited, Arrow Global Guernsey Holdings Limited, Arrow Global Investments Holdings Limited, Arrow Global (Holdings) Limited, Arrow Global Limited, Arrow Global Investments Holdings Benelux B.V., Fiditon Holding B.V., Incassobureau Fiditon B.V., Arrow SMA LP Limited, Arrow SMA GP Limited, Arrow Global SMA I LP, AGHL Portugal Investment Holdings, S.A., Whitestar Asset Solutions, S.A., and Arrow Global Luxembourg Holding S.à r.l. (the "**Guarantors**"). Each guarantee of the Notes is referred to as a "**Note Guarantee**;" each Restricted Subsidiary that provides a guarantee of the Notes (a "**Subsidiary Note Guarantee**") is referred to herein as a "**Subsidiary Guarantor**," and together with the Parent as the "**Guarantors**." The Guarantors and the Issuer will also guarantee the obligations arising under the Revolving Facilities Agreement, certain hedging obligations (if any) and certain operating facilities (if any). In addition, the Guarantor incorporated in jurisdictions other than in Luxembourg also guarantee the Outstanding Existing Notes if any.

After the Issue Date, in accordance with the covenant described under "*—Certain covenants—Additional Note Guarantees and Collateral*," under certain circumstances, the Parent will cause a Restricted Subsidiary that is not a Guarantor to become a Guarantor. The new Guarantor will also, subject to the Agreed Security Principles, be required to pledge assets in favor of the Subsidiary Note Guarantee as described under "*—Security.*"

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Facilities Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar matters. See "*Description of Other Indebtedness—Intercreditor Agreement.*"

Each Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See "*Risk Factors—Risks relating to our structure—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

The Note Guarantee provided by the Parent (the "**Parent Guarantee**") and the Subsidiary Note Guarantee of a Subsidiary Guarantor will terminate upon:

(1) in the case of a Subsidiary Note Guarantee only, a sale or other disposition (including by way of consolidation or merger) of Capital Stock of the relevant Guarantor or of a Holding Entity thereof, such that such Guarantor ceases to be a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the relevant Guarantor (other than to the Parent or a Restricted Subsidiary), in each case in a transaction otherwise permitted by the Indenture;

(2) in the case of a Subsidiary Note Guarantee only, the designation in accordance with the Indenture of the relevant Guarantor as an Unrestricted Subsidiary;

(3) defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and discharge*;"

(4) in the case of a Subsidiary Note Guarantee only (other than a Subsidiary Note Guarantee issued on or about the Issue Date) to the extent that the relevant Guarantor becomes a Guarantor solely due to the operation of the first paragraph of the covenant described under "*—Certain covenants—Additional Note*

Guarantees and Collateral," upon the release of the relevant guarantee or discharge of Indebtedness referred to in such paragraph;

(5) in the case of any Note Guarantee given by any parent of the IPO Pushdown Entity, pursuant to the provisions described below under "*—IPO Pushdown*;"

(6) upon full payment of all obligations of the Issuer and the Guarantors under the Indenture and the Notes; or

(7) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness as provided under the Intercreditor Agreement.

Claims of creditors of non-guarantor Subsidiaries and Permitted Purchase Obligations SPVs, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries and Permitted Purchase Obligations SPVs, and claims of preferred and minority stockholders (if any) of those Subsidiaries and Permitted Purchase Obligations SPVs will have priority with respect to the assets and earnings of those Subsidiaries and Permitted Purchase Obligations SPVs over the claims of creditors of the Issuer or the Guarantors, including Holders. The Notes and each Note Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of any current and future Subsidiaries of the Parent that do not become Guarantors and any Permitted Purchase Obligations SPVs.

Security

The Collateral

Subject to the Intercreditor Agreement, the operation of the Agreed Security Principles, certain perfection requirements, certain limitations pursuant to applicable laws, the terms of the applicable Transaction Security Documents and the grant of further Permitted Collateral Liens, on or about the Issue Date, the Notes will be secured by certain security granted in favor of the Security Agent for the benefit of the Secured Parties (as defined in the Intercreditor Agreement) including:

- a limited recourse English law share charge over all shares held by Midco in the Parent and security assignment of intercompany loans owed by the Parent to Midco;
- an English law debenture over certain material assets of the Parent, Bidco, Finco, the Issuer, Arrow Global Group Limited, Arrow Global One Limited, Arrow Global Investments Holdings Limited, Arrow Global (Holdings) Limited, Arrow Global Limited and Arrow SMA LP Limited;
- an English law share charge over all shares held by Arrow Global Guernsey Holdings Limited in Arrow Global Investments Holdings Limited;
- a Guernsey law security interest agreement over the shares held by Arrow Global One Limited in Arrow Global Guernsey Holdings Limited;
- with respect to the Guarantors incorporated in Jersey, (i) Jersey law general security agreements over certain material Jersey situated assets of such Guarantors, (ii) Jersey law specific security interest agreements over the shares of Arrow SMA GP Limited. and (iii) Jersey law specific security interest security agreements over the partnership interests in Arrow Global SMA I LP;
- with respect to the Guarantors incorporated in the Netherlands, security over (i) the shares of such Guarantors, (ii) the material bank accounts of such Guarantors, (iii) intra-Restricted Group receivables, and (iv) shares owned by such Guarantors in the other Guarantors; and
- with respect to the Guarantor incorporated in Luxembourg, security over (i) the shares of such Guarantor, (ii) the material bank accounts of such Guarantor (if any), (iii) intra-Restricted Group receivables (if any), and (iv) shares owned by such Guarantor in the other Guarantors.

(including, in each case, any supplements to, amendments to, or confirmations of such security), collectively, the "**Collateral**." Subject to the operation of the Intercreditor Agreement, the Agreed Security Principles, certain perfection requirements, certain limitations pursuant to applicable laws, the terms of the applicable Security Documents and the grant of further Permitted Collateral Liens, the Collateral will also secure our obligations under the other New Notes, the Revolving Facilities Agreement, certain hedging obligations, if any, certain operating facilities, if any and the Outstanding Existing Notes.

Notwithstanding the foregoing, certain guarantees may not be granted, certain assets may not be secured or such security may not be perfected in accordance with the Agreed Security Principles, including:

- if the cost of providing security is not proportionate to the benefit accruing to the Holders and the other secured parties;
- if providing such security requires consent of a third party and, if the asset is material, such consent cannot be obtained after the use of reasonable endeavors, or if the asset is subject to trust arrangements or is otherwise managed on behalf of one or more third parties;
- if providing such security would be prohibited by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules or similar matters or entering into the Transaction Security Documents would conflict with fiduciary duties of directors, contravene any legal or regulatory prohibition or result in (or a material risk of) personal or criminal liability on the part of directors or officers;
- if the granting of security or perfecting such security would have a material adverse effect on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture;
- if the relevant assets or proposed grantor of a guarantee are located in a jurisdiction which is not a "Security Jurisdiction," which jurisdictions consist of England and Wales, Guernsey, Jersey, the Netherlands and Luxembourg; and
- in the case of bank accounts, notices to the banks with whom the accounts are maintained will only be served if required by local laws to perfect the relevant security.

Administration and enforcement of security

The Transaction Security Documents and the Collateral will be administered by a Security Agent (or, in certain circumstances, a receiver or delegate) pursuant to the Intercreditor Agreement for the benefit of all the secured parties. In addition, in certain jurisdictions, due to the laws and jurisprudence governing the creation and perfection of security interests, the Intercreditor Agreement provides for the creation of a parallel debt which will form part of the secured obligation. The parallel debt construct has not been tested under law in certain of these jurisdictions. See also "*Risk Factors—Risks relating to our financial profile, the Exchange Notes and the Note Guarantees—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Exchange Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law*." The enforcement of the Collateral will be subject to the procedures set forth in the Intercreditor Agreement. For a description of the Intercreditor Agreement, see "*Description of Other Indebtedness—Intercreditor Agreement.*"

The ability of Holders to realize the Collateral will be subject to various insolvency law limitations in the event of the security provider's insolvency and various contractual limitations set out in the Intercreditor Agreement. See "*Risk Factors— Risks relating to our financial profile, the Exchange Notes and the Note Guarantees— English, Guernsey, Jersey, Portuguese, Luxembourg and Dutch insolvency laws may provide you with less protection than U.S. bankruptcy law and enforcing your rights as a holder of the Exchange Notes or under the Note Guarantees or security interests in the Collateral across multiple jurisdictions may be difficult*" and "*Risk Factors— Risks relating to our financial profile, the Exchange Notes and the Note Guarantees—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

The Transaction Security Documents will provide that the rights of the Holders with respect to the Collateral must be exercised by the Security Agent. Since the Holders will not be a party to the Transaction Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Transaction Security Documents. The Holders may only act through the Trustee or the Security Agent, as applicable. The Security Agent will agree to release a security interest created by the Transaction Security Documents at the direction of the Trustee that is in accordance with the Indenture and the Intercreditor Agreement without requiring any consent of the Holders. Subject to the terms of the Intercreditor

Agreement and the Indenture, the Holders, in certain circumstances, will share in the ability to direct the Trustee to direct the Security Agent to commence enforcement action under the Transaction Security Documents. See "*Description of Other Indebtedness—Intercreditor Agreement.*"

Subject to the terms of the Transaction Security Documents, the Issuer, Midco and the Guarantors have the right to remain in possession and retain control of the Collateral securing the Notes (other than as set forth in the Transaction Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Parent in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after the payment of obligations under the Revolving Facilities Agreement, Hedging Obligations or certain operating facilities (if any) or other super priority obligations would be sufficient to satisfy the obligations owed to the Holders as well as any other obligations secured on a *pari passu* basis. By its nature, some or all the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all. See "*Risk Factors—Risks relating to our financial profile, the Exchange Notes and the Note Guarantees—The Exchange Notes will be secured only to the extent of the value of the Collateral that will have been granted as security for the Exchange Notes and the Note Guarantees, and such security may not be sufficient to satisfy the obligations under the Exchange Notes and the Note Guarantees.*"

By accepting a Note, each Holder, will be deemed to have:

- irrevocably appointed GLAS Trust Corporation Limited, as Security Agent, in each case to act as its security agent under the Intercreditor Agreement and the other relevant documents to which the security agent is a party (including, without limitation, the Transaction Security Documents);
- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which the Security Agent is a party, together with any other incidental rights, power and discretions; and (ii) execute each document expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined herein) and each Holder will also be deemed to have authorized the Trustee to enter into any such Additional Intercreditor Agreement.

In addition, the terms of the Transaction Security Documents themselves may provide for assets to cease to become subject to security in certain circumstances without the need for a formal release (such as the sale of assets which are subject to a charge) or the exclusion of certain assets from a debenture if such assets may not be subject to security (such as, for example, assets that may not be validly pledged or assets that are subject to a Permitted Lien).

Release of Liens

The Security Agent shall release, and, if so requested, the Trustee shall direct the Security Agent to release, without the need for consent of the Holders, Liens on the Collateral securing the Notes:

(1) upon payment in full of principal, interest and all other obligations on the Notes issued under the Indenture or discharge or defeasance thereof;

(2) upon release of a Note Guarantee (with respect to the Liens securing such Note Guarantee granted by such Guarantor);

(3) in connection with any disposition of Collateral to any Person; *provided* that if the Collateral is disposed to the Parent or a Restricted Subsidiary, the relevant Collateral becomes immediately subject to a substantially equivalent Lien in favor of the Security Agent securing the Notes (but excluding any transaction subject to "*—Certain covenants—Merger and consolidation—The Issuer and the Parent*"); *provided*, *further*, that, in each case, such disposition is permitted by the Indenture;

(4) if the Parent designates any Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;

(5) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness as provided under the Intercreditor Agreement, or otherwise in compliance with the Intercreditor Agreement;

(6) as may be permitted by the covenant described under "*—Certain covenants—Impairment of security interest*;"

(7) in connection with an IPO Pushdown, as specified in the Indenture; and

(8) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under "*—Certain covenants—Merger and consolidation*."

Each of these releases shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee unless otherwise requested.

IPO Pushdown

(a) On, in contemplation of, or following an IPO Event, the Parent shall be entitled to require (by written notice to the Trustee (a "**Pushdown Notice**")) that the terms of the Indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement) shall operate (with effect from the date specified in the relevant Pushdown Notice (the "**Pushdown Date**")) on the basis that: (i) references to the Parent and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Restricted Subsidiaries from time to time, although the Issuer shall remain the same entity and the shares of the Issuer shall be subject to a Lien in favor of the "**Secured Parties**" (as defined in the Intercreditor Agreement or any Additional Intercreditor Agreement), that is substantially equivalent to the pledge of the shares of the Issuer entered into in connection with the Offering; (ii) all financial ratio, basket calculations and financial definitions shall exclude any Holding Company of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity; (iii) each reference in the Indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) to the "**Parent**" shall be deemed to be a reference to the IPO Pushdown Entity (to the extent applicable and unless the context requires otherwise); *provided* that nothing in this paragraph (a), including the deeming construct contemplated by this sub-paragraph (iii) and any action taken by the IPO Pushdown Entity prior to it being deemed to be the Parent, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (iv) none of the representations, warranties, undertakings, covenants or Events of Default in the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Transaction Security Documents shall apply to any entity of which the IPO Pushdown Entity is a Subsidiary (whether in its capacity as a Guarantor or otherwise); (v) no event, matter or circumstance relating to any Holding Company of the IPO Pushdown Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (vi) each Holding Company of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations under the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) and any security granted by any such Holding Company (subject to sub-clause (i) above); and (vii) unless otherwise notified by the Parent: (A) each person which is party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an "**Investor**" or an "**Intra-Group Lender**" shall be irrevocably and unconditionally released from the Intercreditor Agreement (or any Additional Intercreditor Agreement) and all obligations and restrictions under the Intercreditor Agreement or any Additional Intercreditor Agreement (and from the date specified by the Parent that Person shall cease to be party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be, and shall have no further rights or obligations under the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be); and (B) there shall be no obligation or requirement for any Person to become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be; and (viii) in the event that any Person is released from or does not become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be, as a consequence of this paragraph (a), any term of the Indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) which requires or assumes that any Person be an Investor or Intra-Group Lender, as the case may be, or that any liabilities or obligations to such Person be subject to the Intercreditor Agreement (or any Additional Intercreditor Agreement) or otherwise subordinated shall cease to apply. A Pushdown Notice may not be delivered if a Default or Event of Default has occurred and is continuing (disregarding any Default or Event of Default that could be deemed to arise in connection with the transactions contemplated by this provision).

(b) The Trustee and the Security Agent shall be required to enter into any amendment to the Indenture or amendment to or replacement of the Intercreditor Agreement or the Transaction Security Documents required by the Parent in writing and/or take such other action as is required by the Parent in order to facilitate or reflect any of the matters contemplated by paragraph (a) above (the "**IPO Pushdown**"); *provided* that such amendment, replacement or other document or instrument does not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, as appropriate, does not affect the rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under such amendment, replacement or other document or instrument. The Trustee and the Security Agent are each irrevocably authorized and instructed by the Holders (without any consent by the Holders) to execute any such amended or replacement documents and/or take such other action on behalf of the Holders (and shall do so on the request of and at the cost of the Parent).

(c) For the purpose of this covenant, the "**IPO Pushdown Entity**" shall be the Parent or any Restricted Subsidiary of the Parent notified to the Trustee by the Parent in writing as the Person to be treated as the IPO Entity in relation to the relevant IPO Event; *provided that*: (i) the IPO Entity shall be a Restricted Subsidiary which will issue shares, or whose shares are to be sold, pursuant to that IPO Event (or a Holding Company of such member of the Group); (ii) the Issuer shall become a Restricted Subsidiary of the IPO Pushdown Entity; and (iii) the Parent may not designate as the IPO Pushdown Entity any entity which is not a direct or indirect Holding Company of Restricted Subsidiaries constituting all or substantially all of the Group's tangible assets.

(d) If the Parent delivers a Pushdown Notice to the Trustee pursuant to paragraph (a) above in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee. In the event that any Pushdown Notice is revoked in accordance with this paragraph (d): (i) the provisions of sub-paragraphs (a)(i) to (a)(vii) above shall cease to apply in relation to that Pushdown Notice; (ii) if any security has been released pursuant to paragraph (a) above in reliance on that Pushdown Notice, subject to the Agreed Security Principles, the Parent or the relevant Restricted Subsidiary shall as soon as reasonably practicable execute a replacement Transaction Security Document in respect of that security; and (iii) if any Person party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be, has been released from the Intercreditor Agreement pursuant to sub-paragraph (a)(vii) above in reliance on that Pushdown Notice, that Person shall as soon as reasonably practicable accede to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be.

For the avoidance of doubt: (A) nothing in paragraph (d) above shall prohibit or otherwise restrict the Parent from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) or a Default or an Event of Default (whether by reason of any action or step taken by any Person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

Intercreditor Agreement

On the Issue Date, pursuant to an amendment and restatement agreement to amend the terms of the Intercreditor Agreement, the Trustee will accede to the Intercreditor Agreement to which the Issuer is a party as a debtor. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Facilities Agreement, any Hedging Agreements (as defined in the Intercreditor Agreement) and certain operating facilities that are secured by Collateral that also secures our obligations under the Notes and the Note Guarantees, will receive priority with respect to any proceeds received upon any enforcement action over any such assets. Any remaining proceeds received upon any enforcement action over any Collateral, after all obligations under the Revolving Facilities Agreement, Hedging Agreements and certain operating facilities have been repaid from such recoveries, will be applied *pro rata* in repayment of all obligations under the Indenture, the

Notes and any other indebtedness of the Issuer and the Guarantors permitted to be Incurred and secured by the Collateral, including the Outstanding Existing Notes, if any.

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Parent, in connection with the Incurrence or refinancing by the Issuer, the Parent or its Restricted Subsidiaries of any Indebtedness secured or permitted to be secured on the Collateral, the Issuer, the Parent, the relevant Restricted Subsidiaries, the Trustee and the Security Agent, as applicable, shall enter into an intercreditor or similar agreement or a restatement, amendment or other modification of the existing Intercreditor Agreement (an "**Additional Intercreditor Agreement**") with the holders of such Indebtedness (or their duly authorized representatives) on substantially the same terms as the Intercreditor Agreement (or on terms that in the good faith judgment of the Board of Directors or an Officer of the Parent are not materially less favorable to the Holders), including containing substantially the same terms with respect to the application of the proceeds of the collateral held thereunder and the means of enforcement, it being understood that an increase in the amount of Indebtedness being subject to the terms of the Intercreditor Agreement or Additional Intercreditor Agreement will not be deemed to be less favorable to the Holders and will be permitted by this covenant if the Incurrence of such Indebtedness and any Lien in its favor is permitted by the "*—Certain covenants—Limitation on Indebtedness*" and "*—Certain covenants—Limitation on Liens*" covenants; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or, in the opinion of the Trustee, adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture or the Intercreditor Agreement. As used herein, the term "**Intercreditor Agreement**" shall include references to any Additional Intercreditor Agreement that supplements or replaces the Intercreditor Agreement entered into on or prior to the Issue Date.

The Indenture will provide that, at the written direction of the Parent and without the consent of the Holders, the Trustee shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency of any such agreement, (ii) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer that is subject to any such agreement (*provided* that such Indebtedness is Incurred in compliance with the Indenture), (iii) add Restricted Subsidiaries to the Intercreditor Agreement, (iv) further secure the Notes (including Additional Notes Incurred in compliance with the Indenture), (v) make provision for equal and ratable pledges of the Collateral to secure Additional Notes Incurred in compliance with the Indenture or to implement any Permitted Collateral Liens, (vi) effect the IPO Pushdown or (vii) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Parent shall not otherwise direct the Trustee to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and waivers*" or as permitted by the terms of such Intercreditor Agreement, and the Parent may only direct the Trustee to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or, in the opinion of the Trustee, adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture relating to the Notes or any Intercreditor Agreement.

The Indenture will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of any Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have authorized the Trustee to enter into any one or more amendments to any Intercreditor Agreement as contemplated above.

Optional redemption

Optional redemption of the New Floating Rate Notes

Except as set forth herein and under "*—Redemption for taxation reasons*" and "*—Change of Control*," the New Floating Rate Notes are not redeemable at the option of the Issuer.

At any time and from time to time on or after December 15, 2025, the Issuer may redeem the New Floating Rate Notes, in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to the applicable percentage of principal amount set forth below plus accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Period commencing	Percentage
December 15, 2025 and thereafter	101.0000%

Period commencing	Percentage
December 15, 2026 and thereafter	100.0000%

At any time prior to December 15, 2025, the Issuer may redeem the New Floating Rate Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount of such New Floating Rate Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

Notice of redemption will be provided as set forth under "*—Selection and notice*" below.

If the Issuer effects an optional redemption of Notes of a series, it will, if and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Authority so require, inform the Authority of such optional redemption and confirm the aggregate principal amount of the Notes of that series that will remain outstanding immediately after such redemption.

Any redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering). In addition, if such redemption is subject to satisfaction of one or more conditions precedent, the notice of redemption may state that, at the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the original notice of redemption have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note was registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

We may repurchase Notes at any time and from time to time in the open market or otherwise.

Sinking fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and notice

If less than all the Notes of a series are to be redeemed at any time, the Paying Agent or the Registrar will select the Notes of such series for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Paying Agent or the Registrar by the Issuer, and in compliance with the requirements of Euroclear and/or Clearstream, or if the Notes are not so listed, or such exchange prescribes no method of selection and the Notes are not held through Euroclear and/or Clearstream or Euroclear and/or Clearstream prescribes no method of selection, on a *pro rata* basis or by use of a pool-factor; *provided*, *however*, that no Note of €100,000 or £100,000, as the case may be, or less in aggregate principal amount shall be redeemed in part. None of the Trustee, the Paying Agent or the Registrar shall be liable for selections made under this paragraph.

If and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent the rules of the Authority so require, the Issuer shall notify the Authority of such redemption and, in addition to such publication, not less than 10 nor more than 60 days' prior to the redemption date, email such notice to Holders at their respective addresses as they appear on the registration books of the Registrar; *provided* that, for so long as any Notes are represented by Global Notes, notices of redemption to Holders will be delivered to Euroclear and Clearstream (and such delivery will be deemed to satisfy the requirements of this paragraph), each of which shall give notices to the holders of the Book-Entry Interests.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption, unless the redemption price is not paid on the redemption date.

Redemption for taxation reasons

The Issuer or Successor Company (as defined herein) may redeem, and a Guarantor may cause the Issuer or Successor Company to redeem, the Notes of any series in whole, but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption (a "**Tax Redemption Date**") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see "*—Additional Amounts*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer, Successor Company or Guarantor, as the case may be, determines that as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined under "*—Additional Amounts*") affecting taxation; or

(2) any change in, or amendment to, the application, administration or interpretation of such laws, treaties, regulations or rulings (including pursuant to a holding, judgment or order by a court of competent jurisdiction or a change in published practice) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"),

the Issuer, Successor Company or Guarantor is, or on the next interest payment date in respect of the Notes of such series or any Note Guarantee in respect thereof would be, required to pay any Additional Amounts or increased Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer, Successor Company or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and, in the case of a payment by a Guarantor, having the Issuer or another Guarantor make the payment, but not including assignment of the obligation to make payment with respect to the Notes) *provided* that none of the Issuer, the Successor Company or Guarantor shall be required to take any measures which in its good faith determination would result in the imposition on any of the Issuer, the Successor Company or Guarantor of any material legal or regulatory burden or any material cost. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date on which the applicable Notes are issued, such Change in Tax Law must become effective on or after the date on which the applicable Notes are issued. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date on which the applicable Notes are issued, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction (or, in the case of a Successor Company, on or after the date of assumption by the Successor Company of the Issuer's obligations hereunder). Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and notice.*"

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, Successor Company or Guarantor will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer, Successor Company or Guarantor has 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 satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Additional Amounts

All payments made by or on behalf of the Issuer or a Successor Company under or with respect to the Notes, or any Guarantor with respect to any Note Guarantee (each of the Issuer, Successor Company and Guarantor, a "**Payor**"), will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) the United Kingdom or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Note Guarantee is made by or on behalf of the Issuer, Successor Company, Guarantor or their agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the Payor is incorporated or organized, engaged in business for tax purposes or 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 by or on behalf of the Payor with respect to any Note or Note Guarantee, including payments of principal, purchase or redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by the Holders or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Note Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, but not limited to, being a citizen or resident or national or domiciliary of or incorporated in, or the existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or Note Guarantee, the enforcement of rights under a Note or Note Guarantee or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed, withheld or deducted by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder or the beneficial owner, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any certification, identification, information or other reporting requirement relating to such matters, required by applicable law, regulation, treaty or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from or reduction in the rate of all or part of such Tax; *provided* in each case the Holder or beneficial owner is legally eligible to do so;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment under or with respect to the Notes or any Note Guarantee;

(4) any estate, inheritance, gift, value added, sales, transfer, personal property, excise or similar Taxes;

(5) any Taxes imposed with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the Code and U.S. Treasury regulations thereunder ("**FATCA**"), any intergovernmental agreement between the United States and any other jurisdiction implementing or relating to FATCA or any non-U.S. law, regulation or guidance enacted or issued with respect thereto;

(6) any Taxes which would not have been imposed if the Holder had presented the Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first

made available for payment to the Holder (except for Additional Amounts with respect to Taxes that would have been imposed had the Holder presented the Note for payment within such 30-day period);

(7) any Taxes imposed on or with respect to a payment to a Holder that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note;

(8) any Taxes imposed, withheld or deducted under the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*); or

(9) any combination of the above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Payor, and if so obtained by the Payor will provide such certified copies to the Trustee. If so obtained, such copies shall be made available to the Holders upon request. The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per £1,000 or €1,000 principal amount of the Notes, as the case may be.

If any Payor becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and Paying Agent shall be entitled to rely solely on such Officer's Certificate without further inquiry, as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Note Guarantees or this "*Description of the New Notes*" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase or redemption prices in connection with a purchase or redemption of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or Note Guarantees,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payors will pay any present or future stamp, court or documentary Taxes, or any other excise, property or similar Taxes that are imposed by any Relevant Taxing Jurisdiction in connection with the execution, delivery, registration on issue or enforcement of any Notes, any Note Guarantee, the Indenture, the Transaction Security Documents or any other document or instrument in relation thereto (other than in connection with a transfer or exchange of the Notes) excluding in each case, (i) any such Taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction and (ii) any Luxembourg registration duties (*droits d'enregistrement*) payable upon a voluntary registration of any such document or any other action that is or was not required to establish, maintain, preserve or enforce the rights of any Holders under that document.

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 incorporated or organized, engaged in business for tax purposes or resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all (equal to £100,000 or €100,000 aggregate principal amount, and integral multiples of £1,000 or €1,000 in excess thereof, as the case may be) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to, but excluding, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase Notes as described under this "Change of Control" section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will send a notice (the "**Change of Control Offer**") to each Holder of any such Notes, by email or otherwise in accordance with the procedures set forth in the Indenture, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "**Change of Control Payment**");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is sent) (the "**Change of Control Payment Date**");

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(4) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(5) if such notice is emailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly wire to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee or an authentication agent appointed by the Trustee will promptly authenticate (or cause to be authenticated) and mail to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in an aggregate principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in an aggregate principal amount that is at least £100,000 or €100,000 or an integral multiple of £1,000 or €1,000 in excess thereof, as applicable.

If and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Authority so require, the Issuer will notify the Authority of any Change of Control Offer.

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control; *provided* that the Change of Control Payment Date will be no earlier than 30 days from the date a notice of such Change of Control Offer is emailed.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the Holders to require that the Issuer repurchases or redeems the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Parent or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

If Holders of not less than 90% in aggregate principal amount of the applicable series of outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third-party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the applicable series of Notes validly tendered and not withdrawn by such Holders, the Issuer or such third-party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes of the applicable series that remain outstanding following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest on the Notes that remain outstanding to, but excluding, the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date). In determining whether the Holders of at least 90% of the aggregate principal amount of the applicable series of then-outstanding Notes have validly tendered and not withdrawn Notes in a Change of Control Offer for all of the Notes of the applicable series, as applicable, Notes owned by an affiliate of the Issuer or by funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer, as applicable.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

A Change of Control will result in a mandatory prepayment under the Revolving Facilities Agreement, and in addition, will trigger a change of control offer to the holders of the Outstanding Existing Notes, if any, in respect of such Outstanding Existing Notes. Future debt of the Parent or its Subsidiaries, including the Issuer, may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or may require repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Parent or its Subsidiaries, including the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's and the Parent's and its Subsidiaries' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors—Risks relating to our financial profile, the Exchange Notes and the Note Guarantees—We may not be able to obtain the funds required to repurchase the Outstanding Existing Notes, the New Money Notes and Exchange Notes upon a change of control.*"

In addition, the definition of "**Change of Control**" and "**Permitted Holders**" expressly permit a third party to obtain control of the Parent in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The definition of "**Change of Control**" includes a disposition of all or substantially all of the property and assets of the Parent and its Restricted Subsidiaries taken as a whole to specified other Persons.

Although there is limited case law interpreting the phrase "**substantially all**," there is no precise established definition of the phrase "**substantially all**" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "**all or substantially all**" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes under the Indenture.

Certain covenants

Limitation on Indebtedness

The Parent will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Parent and any Restricted Subsidiary may Incur Indebtedness if on the date of such Incurrence and after giving pro forma effect thereto (including pro forma application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Parent and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Parent and any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount of Indebtedness then outstanding not exceeding: (i) the greater of (x) £285 million and (y) 100% of Consolidated EBITDA, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Parent or any Restricted Subsidiary of Indebtedness of the Parent or any Restricted Subsidiary, in each case, so long as the Incurrence of such Indebtedness being guaranteed is permitted under the terms of the Indenture (other than pursuant to this clause (2)); *provided* that, if Indebtedness being guaranteed is subordinated or *pari passu* to the Notes or a Note Guarantee, then the guarantee must be subordinated or *pari passu* to the Notes or Note Guarantees, as applicable, to the same extent as the Indebtedness guaranteed; or

(b) without limiting the covenant described under "*—Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Parent or any Restricted Subsidiary, in each case, so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Parent owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Parent or any Restricted Subsidiary;

(4) Indebtedness represented by:

(a) (i) any Notes (other than any Additional Notes), and (ii) any Existing Notes, in each case, outstanding upon the completion of the Transactions.

(b) any Indebtedness (other than Indebtedness described in clauses (1), (3), (4)(a), 4(e) and (7) of this paragraph) of the Parent or any Restricted Subsidiary entered into or outstanding on the Issue Date after giving effect to the Transactions;

(c) Refinancing Indebtedness that is Incurred in respect of any Indebtedness described in this clause (4) (other than Refinancing Indebtedness that is Incurred in respect of (i) any Notes and any Note Guarantee, or any Outstanding Existing Notes or the Guarantees in respect thereof, which will be deemed to have been Incurred under clause (a) of this paragraph, or (ii) Permitted Purchase Obligations, which will be deemed to have been Incurred under clause (4)(e) of this paragraph) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant;

(d) Management Advances and MEP Payments; and

(e) Permitted Purchase Obligations;

(5) Indebtedness (i) of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Parent or any Restricted Subsidiary, or (ii) Incurred to provide or refinance all or any portion of the funds utilized to consummate a transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Parent or a Restricted Subsidiary or otherwise in connection with or contemplation of such acquisition; *provided*, *however*, with respect to sub-clauses (5)(i) and (5)(ii), that at the time of such acquisition or other transaction (x) the Parent and its Restricted Subsidiaries would have been permitted to Incur £1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving pro forma effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Parent and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Hedging Agreements entered into for bona fide hedging purposes of the Parent or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Parent);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business, or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and (C) any Refinancing Indebtedness and Guarantees in respect of sub-clauses (A) or (B), in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) then outstanding, will not exceed the greater of (i) £20 million and (ii) 4% of Total Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Parent or a Restricted Subsidiary or relating to liabilities, obligations, indemnities or guarantees Incurred in the ordinary course of business or for governmental or regulatory requirements, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, (c) the financing of insurance premiums in the ordinary course of business, and (d) any credit management, cash management, cash pooling, net balance transfer or netting or setting off or similar arrangements in the ordinary course of business of the Parent and the Restricted Subsidiaries;

(9) Indebtedness arising from agreements providing for guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person

acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition);

(10) (A) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business;

(B) Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions Incurred in the ordinary course of business of the Parent and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Parent and its Restricted Subsidiaries; and

(C) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management purposes, in each case, Incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness and Guarantees in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (11) then outstanding, will not exceed the greater of (i) £80 million and (ii) 27.5% of Consolidated EBITDA;

(12) Indebtedness (including any Refinancing Indebtedness and Guarantees in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Parent from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than through 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 Parent, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6), (10) and (14) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*" to the extent the Parent and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Parent or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and/or clauses (1), (6), (10) and (14) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*" in reliance thereon; and

(13) Indebtedness under any overdraft, working capital, current account, letter of credit, local credit line, bilateral financing line, foreign exchange, SWIFT and/or other similar or equivalent facilities or financial accommodation, or any other facility or financial accommodation by the Parent or any Restricted Subsidiary, *provided* that the maximum aggregate principal amount of Indebtedness outstanding under this clause (13) does not exceed the greater of (i) £25 million and (ii) 7.1% of Consolidated EBITDA and any Refinancing Indebtedness in respect thereof.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with this covenant:

(i) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Parent, in its sole discretion, will classify, and may from time to time reclassify, such item (or any portion of such item) of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the first paragraph or the second paragraph of this covenant; *provided* that the Parent may not reclassify Indebtedness outstanding on the Issue Date that is Incurred under clauses (1) and (13) of the second paragraph of this covenant;

(ii) Guarantees of, or obligations in respect of, letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(iii) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clauses

(1), (7) or (11) of the second paragraph of this covenant or the first paragraph of this covenant and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(iv) the principal amount of any Disqualified Stock of the Parent or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(v) for the purposes of determining "**Consolidated EBITDA**," (x) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Leverage Ratio for the Parent and its Restricted Subsidiaries and (y) Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to the date for which such internal consolidated financial statements of the Parent are available;

(vi) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(vii) the amount of any Indebtedness outstanding as of any date shall be calculated as described under the definition of "Indebtedness;" *provided* that the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the balance sheet liability in respect thereof determined on the basis of IFRS; and

(viii) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on a clause of the second paragraph of this covenant measured by reference to a percentage of Consolidated EBITDA at the time of an Applicable Test Date, if such refinancing would cause the percentage of Consolidated EBITDA restriction to be exceeded if calculated based on the percentage of Consolidated EBITDA on the Applicable Test Date of such refinancing, such percentage of Consolidated EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, including a change in IFRS itself or a change from IFRS to a different set of accounting principles, will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date.

For purposes of determining compliance with any pound sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the Applicable Test Date; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than pound sterling, and such refinancing would cause the applicable pound sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such pound sterling-denominated restriction shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced, plus any amount to pay premium (including tender premium), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith; (b) the Sterling Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in pound sterling, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Sterling Equivalent of such amount plus the Sterling Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. Subject to the preceding paragraph, the principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Parent will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other distribution on or in respect of the Parent's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Parent or any of its Restricted Subsidiaries) except:

  (a) dividends or distributions payable in Capital Stock of the Parent (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Parent or in Subordinated Shareholder Funding; and

  (b) dividends or distributions payable to the Parent or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Parent or a Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Parent or any direct or indirect Holding Entity held by Persons other than the Parent or a Restricted Subsidiary (other than in exchange for Capital Stock of the Parent (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement, (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*"), and (c) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement that is a Permitted Investment (other than Permitted Investments in connection with Subordinated Indebtedness pursuant to clause (1) of the definition of "Permitted Investments");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) to (5) above are referred to herein as a "**Restricted Payment**"), if at the time the Parent or such Restricted Subsidiary makes such Restricted Payment:

  (a) a Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

  (b) the Parent and its Restricted Subsidiaries are not permitted to Incur an additional £1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a pro forma basis, to such Restricted Payment; or

  (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5)(a) (without duplication of amounts paid pursuant to any other clause of the second succeeding paragraph), (6), (10), (11) and (12) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing after the 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 Parent are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit, *provided* that the amount taken into account pursuant to this clause (i) shall not be less than zero);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Parent from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Parent subsequent to the Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions since the Issue Date);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Parent or any Restricted Subsidiary from the issuance or sale (other than to the Parent or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary) by the Parent or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Parent (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Parent or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (y) Excluded Contributions since the Issue Date;

(iv) the amount equal to the net reduction in Restricted Investments made by the Parent or any of its Restricted Subsidiaries subsequent to the Issue Date resulting from:

    (A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Parent or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Parent or any Restricted Subsidiary; or

    (B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "**Investment**") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Parent or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this sub-clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c); *provided*, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding sub-clause (i) to the extent that it is (at the Parent's option) included under this sub-clause (iv); and

(v) the amount of the cash and the fair market value of property or assets or of marketable securities received by the Parent or any of its Restricted Subsidiaries subsequent to the Issue Date in connection with:

(A) the sale or other disposition (other than to the Parent or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary; and

(B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Parent or a Restricted Subsidiary;

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding sub-clause (i) to the extent that it is (at the Parent's option) included under this sub-clause (v).

The fair market value of property or assets other than cash covered by the preceding paragraph shall be the fair market value thereof as determined in good faith by the Board of Directors or an Officer of the Parent. The fair market value of any cash Restricted Payment shall be its face amount.

The foregoing provisions will not prohibit any of the following (collectively, "**Permitted Payments**"):

(1) any Restricted Payment made in exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Parent (other than Disqualified Stock, Excluded Amounts or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (in each case, other than through the issuance of Disqualified Stock, Excluded Amounts or Designated Preference Shares or through an Excluded Contribution) of the Parent; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the immediately preceding paragraph and the immediately succeeding paragraph) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from sub-clause (c)(ii) of the second preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made in exchange for, or out of the proceeds of the substantially concurrent Incurrence of Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*;"

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Parent or a Restricted Subsidiary made in exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Parent or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*," and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) from Net Available Cash to the extent permitted by the covenant described under "—*Limitation on sales of assets and Subsidiary stock*," but only if the Parent shall have first complied with the terms of the covenant described under "—*Limitation on sales of assets and Subsidiary stock*" and purchased all Notes validly tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness; or

(b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "**change of control**"), but only (i) if the Parent shall have first complied with the terms of the covenant described under "—*Change of Control*," if required, and purchased all Notes validly tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated

Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest (together with any applicable prepayment or redemption premium); or

(c) (i) consisting of Acquired Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest (together with any applicable prepayment or redemption premium);

(5) (a) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant, and (b) any payments associated with the Transactions;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Parent, any Restricted Subsidiary or any Holding Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Parent to any Holding Entity or any entity formed for the purpose of investing in Capital Stock of the Parent or any Holding Entity to permit any Holding Entity or such entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Parent, any Restricted Subsidiary or any Holding Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Parent, any Restricted Subsidiary or any Holding Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "—*Limitation on Indebtedness*;"

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Holding Entity or any Affiliates or other payments by the Parent or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Holding Entity to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments (i) in relation to the Transactions (including without limitation any fees or expenses), or (ii) to the extent specified in clauses (2), (3), (5), (7), (11) and (12) of the second paragraph under "—*Limitation on Affiliate Transactions*;"

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Parent of, or loans, advances, dividends or distributions to any Holding Entity to pay, dividends on the common stock or common equity interests of the Parent or any Holding Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Parent from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Amounts, or an Excluded Contribution) of the Parent or loaned or contributed as Subordinated Shareholder Funding to the Parent, and (b) following the Initial Public Offering, 7% of the Market Capitalization;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from) (a) Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed the greater of £35 million or 12.5% of Consolidated EBITDA, and (b) any Restricted Payment, *provided* that the Consolidated Leverage Ratio on a pro forma basis after giving effect to any such Restricted Payment does not exceed 3.0 to 1.0 (or in the case of a Restricted Payment consisting of an Investment or the repayment, redemption or repurchase of Subordinated Indebtedness, Consolidated Leverage Ratio on a pro forma basis after giving effect to any such Restricted Payment does not exceed 3.25 to 1.0); *provided* that if an Investment is made pursuant to this clause (11) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes or is subsequently designated a Restricted

Subsidiary pursuant to the terms of the Indenture, such Investment shall thereafter be deemed to have been made pursuant to clauses (1) or (2) of the definition of "**Permitted Investment**" and not this clause (11);

(12) payments by the Parent, or loans, advances, dividends or distributions to any Holding Entity to make payments to holders of Capital Stock of the Parent or any Holding Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Parent);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the fair market value of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13);

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Parent issued after the Issue Date; and (ii) the declaration and payment of dividends to any Holding Entity or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Holding Entity or Affiliate issued after the Issue Date; *provided*, *however*, that, in the case of sub-clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Parent or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock, Excluded Amounts or an Excluded Contribution or, in the case of Designated Preference Shares by a Holding Entity or an Affiliate the issuance of Designated Preference Shares) of the Parent or loaned or contributed as Subordinated Shareholder Funding to the Parent, from the issuance or sale of such Designated Preference Shares; and

(15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries (other than securities of ACMH or any of its Subsidiaries, including ACML or any of ACML's Subsidiaries (collectively, the "**ACMH Group**")).

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount. Any amounts (such amounts, the "**Excluded Amounts**") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clauses (ii) or (iii) of clause (c) of the first paragraph of this covenant will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds, property or assets or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof were it not a Specified Change of Control Event, (2) the purpose of, or the effect of, the receipt of such Net Cash Proceeds, property or assets or marketable securities was to reduce the Consolidated Leverage Ratio of the Parent and its Restricted Subsidiaries so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds, property or assets or marketable securities and (3) no Change of Control Offer is made in connection with such event in accordance with the requirements of the indenture.

Limitation on Liens

The Parent will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "**Initial Lien**"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if, subject to the Agreed Security Principles, the Notes (or a Note Guarantee in the case of Liens of a Guarantor) are secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured (*provided* that a Lien to secure Indebtedness Incurred pursuant to clauses (1), (6) or (13) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" may be entitled to receive proceeds of an enforcement of Collateral in priority to the Holders to the extent provided in the definition of "Permitted

Collateral Liens," and (b) in the case of any property or assets that constitute Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to sub-clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates and (ii) otherwise as set forth under "*Security—Release of Liens.*"

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "**Increased Amount**" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Limitation on restrictions on distributions from Restricted Subsidiaries

The Parent will not, and will not permit any Restricted Subsidiary or the ACMH Group to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary or the ACMH Group to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Parent or the Issuer or pay any Indebtedness or other obligations owed to the Parent or the Issuer;

(B) make any loans or advances to the Parent or the Issuer; or

(C) sell, lease or transfer any of its property or assets to the Parent or the Issuer;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Parent or any Restricted Subsidiary or the ACMH Group to other agreement or instrument entered into by the Parent or any Restricted Subsidiary or the ACMH Group shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (or any guarantee or security granted in connection therewith), including the Revolving Facilities Agreement, (b) (i) the Indenture, the Notes, the Note Guarantees or the Collateral and (ii) any Outstanding Existing Notes or the Existing Indenture or any Guarantees or security interests in respect of the Outstanding Existing Notes, (c) the Intercreditor Agreement, any Additional Intercreditor Agreement or the Transaction Security Documents or (d) any other agreement or instrument in effect at or entered into on the Issue Date, including, in each case, any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings, *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements referred to in sub-clauses (a), (b), (c) and (d) above, as applicable (as determined in good faith by the Board of Directors or an Officer of the Parent);

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Parent or any Restricted Subsidiary or the ACMH Group, or was designated as a Restricted Subsidiary, or on which such agreement or instrument is assumed by the Parent or any Restricted Subsidiary or the ACMH Group in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or part of the ACMH Group or was acquired by the Parent or was merged, consolidated or otherwise combined with or into the Parent or any Restricted Subsidiary or the ACMH Group entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such

Person or any such Subsidiary shall be deemed acquired or assumed by the Parent or any Restricted Subsidiary or the ACMH Group when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "**Initial Agreement**") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary or the ACMH Group contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Parent) or that the Board of Directors or an Officer of the Parent determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Parent's ability to make principal or interest payments on the Notes;

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Parent or a Restricted Subsidiary or the ACMH Group permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Parent or any Restricted Subsidiary or the ACMH Group;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary or the ACMH Group (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary or the ACMH Group (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements, and other similar agreements and instruments entered into in the ordinary course of business or consistent with industry practices;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order (including encumbrances or restrictions on making distributions in cash or Cash Equivalents as a dividend or otherwise that arise or exist by reason of applicable law or any applicable rule, regulation or order), the terms of any license, authorization, concession or permit, or encumbrances or restrictions required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers, suppliers or landlords, or required by insurance, surety or bonding companies, in each case, under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Hedging Agreements or Permitted Purchase Obligations;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument, including any encumbrance or restriction relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*," if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not

materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Indenture, together with the security documents associated therewith or (ii) in comparable agreements or instruments (as determined in good faith by the Board of Directors or an Officer of the Parent) and where, in the case of clause (ii), the Parent determines, at the time such agreement or instrument is entered into, that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes;

(12) any encumbrance or restriction existing by reason of any Lien permitted by the covenant described under "*—Limitation on Liens*;" or

(13) any encumbrance or restriction on assets held in trust for a third party, including pursuant to the relevant trust agreement.

Limitation on sales of assets and Subsidiary stock

The Parent will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Parent or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors or an Officer of the Parent, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Parent or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

Within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash from an Asset Disposition, the Parent or such Restricted Subsidiary, as the case may be, may apply an amount equal to such Net Available Cash at the option of the Parent or such Restricted Subsidiary:

(a) (1) to prepay, repay, purchase or redeem any Senior Secured Indebtedness (including Indebtedness Incurred under clause (1) and (13) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof); *provided*, *however*, that in connection with any prepayment, repayment, purchase or redemption of Indebtedness pursuant to this sub-clause (1) (except in the case of any revolving Indebtedness, including but not limited to the Revolving Facilities Agreement), the Parent or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; *provided*, *further*, that in the case of the prepayment, repayment, purchase or redemption of Senior Secured Indebtedness other than the Revolving Facilities, the Issuer shall prepay, repay, purchase or redeem the Notes on a pro rata basis with such other Senior Secured Indebtedness; (2) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not the Issuer or a Guarantor (other than Indebtedness owed to the Parent or any Restricted Subsidiary); (3) in the case of an Asset Disposition that does not constitute Collateral, to prepay, repay, purchase or redeem (I) Pari Passu Indebtedness (other than Indebtedness owed to the Parent or a Restricted Subsidiary) (i) at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption, (ii) through repurchase of such Pari Passu Indebtedness in the open market or (iii) pursuant to the contractual optional redemption provisions applicable thereto or (II) Senior Indebtedness (other than Indebtedness owed to the Parent or a Restricted Subsidiary) (i) at a price of no more than 100% of the principal amount of such Senior Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption, (ii) through repurchase of such Senior Indebtedness in the open market or (iii) pursuant to the contractual optional redemption provisions applicable thereto; *provided* that in the case of the prepayment, repayment, purchase or redemption of Pari Passu Indebtedness or Senior Indebtedness (in each case, other than the

Notes) pursuant to sub-clause (3), the Issuer shall prepay, repay, purchase or redeem the Notes on a pro rata basis with such other Indebtedness; or (4) to prepay, repay, purchase or redeem any Outstanding Existing Notes;

(b) to the extent the Parent or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Parent or a Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors or an Officer of the Parent that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day;

(c) to make a capital expenditure pursuant to a definitive binding agreement or a commitment approved by the Board of Directors or an Officer of the Parent; *provided*, *however*, that any such capital expenditure made that is executed or approved within such time will only satisfy this requirement so long as such investment is consummated within 180 days of such 365th day;

(d) to make Restricted Payments pursuant to sub-clause (11)(b) of the third paragraph of the covenant described under "*—Limitation on Restricted Payment*" with the Net Available Cash from Asset Dispositions, provided that the Consolidated Leverage Ratio specified in such paragraph shall be calculated on a basis pro forma for the relevant Asset Disposition and the application of the proceeds thereof; or

(e) any combination of the foregoing;

provided that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c), (d) or (e) above, the Parent and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

If an amount less than the Net Available Cash from Asset Dispositions is applied or invested or committed to be applied or invested, or offered to be applied or invested, as provided in the preceding paragraph, an amount equal to the difference will be deemed to constitute "**Excess Proceeds**" under the Indenture. On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors or an Officer of the Parent pursuant to clauses (b) or (c) of the second paragraph of this covenant) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash from an Asset Disposition, or at such earlier date that the Parent elects, if the aggregate amount of "**Excess Proceeds**" under the Indenture exceeds the greater of £10 million and 2.5% of Consolidated EBITDA, the Parent will be required to make an offer (or procure an offer is made) ("**Asset Disposition Offer**") to all Holders of Notes issued under the Indenture and, to the extent the Parent so elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the "**Excess Proceeds**," at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of such Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but excluding, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable.

To the extent that the aggregate principal amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the "**Excess Proceeds**," the Parent may use any remaining "**Excess Proceeds**" for general corporate purposes, subject to the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of "**Excess Proceeds**," the "**Excess Proceeds**" shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis or by use of a pool factor on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness, or by such other method as (i) the Trustee and (ii) the trustee, agent or similar representative of such Pari Passu Indebtedness, after consultation with the Parent, deem fair and appropriate (and in such manner as complies with applicable legal, depositary and exchange requirements). For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in pound sterling or euro, as the case may be based on the denomination of the applicable Notes, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Sterling

Equivalent or Euro Equivalent, as the case may be, determined as of a date selected by the Parent that is within the Asset Disposition Offer Period (as defined herein). Upon completion of any Asset Disposition Offer, the amount of "**Excess Proceeds**" shall be reset at zero.

Any Net Available Cash payable in respect of the Notes pursuant to this covenant will be allocated between the various series of Notes in proportion to the respective aggregate principal amounts of Notes validly tendered and not withdrawn.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which the relevant Notes are denominated that is actually received upon converting such portion of Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Parent will purchase (or procure the purchase of) the aggregate principal amount of Notes and, to the extent it so elects, any Pari Passu Indebtedness required to be purchased pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Parent will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of £100,000 or €100,000 and in integral multiples of £1,000 or €1,000 in excess thereof, as the case may be. The Parent will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment in accordance with the terms of this covenant. The Parent or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver (or procure the mail or delivery) to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted for purchase, and the Issuer will promptly issue a new Note (or amend the Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will (via an authenticating agent) authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of £100,000 or €100,000 or in integral multiples of £1,000 or €1,000 in excess thereof, as the case may be. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Parent or the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Parent or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Parent or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Parent or any Restricted Subsidiary from the transferee that are converted by the Parent or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Parent and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Parent or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) received after the Issue Date from Persons who are not the Parent or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Parent or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of £25 million and 7.5% of Consolidated EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Parent will comply (or procure compliance), to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Parent will comply (or procure compliance) with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Maintenance of listing

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Official List of the Exchange for so long as such Notes are outstanding; *provided* that if the Issuer is unable to obtain admission to such listing or if at any time the Issuer determines that it will not maintain such listing, it will obtain and thereafter use its commercially reasonable efforts to maintain a listing of such Notes on another stock exchange deemed appropriate by the Board of Directors or an Officer of the Issuer.

Limitation on Affiliate Transactions

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Parent (such transaction or series of related transactions, an "**Affiliate Transaction**") involving aggregate value in excess of the greater of £10 million and 2.5% of Consolidated EBITDA unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Parent or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of £30 million and 10% of Consolidated EBITDA, the terms of such transaction or series of related transactions have been approved by a majority of the members of the Board of Directors of the Parent resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to sub-clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment;

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Parent, any Restricted Subsidiary or any Holding Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Parent, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto and any transaction pursuant to or in connection with an MEP, incentive scheme, deferred compensation or similar arrangement (including any MEP Payment);

(4) any transaction between or among the Parent and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction);

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Parent, any Restricted Subsidiary or any Holding Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Transactions and the entry into and performance of obligations of the Parent or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not materially more disadvantageous to the Holders taken as a whole in the good faith judgment of an Officer of the Parent and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) the execution, delivery and performance of any Tax Sharing Agreement (including any transactions which are entered into with any Holding Entity or Unrestricted Subsidiary in order to satisfy the obligations arising under any Tax Sharing Agreement) and the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) any payments arising on the exercise of any put or call options (or any equivalent right or obligation) in relation to any Associate or transactions with customers, clients, landlords, suppliers or purchasers or sellers of goods or services, which, in each case, are either fair to the Parent or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Parent or the relevant Restricted Subsidiary or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Parent or any Restricted Subsidiary and any Affiliate of the Parent or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Parent or a Restricted Subsidiary or any Affiliate of the Parent or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Parent or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors or an Officer of the Parent in their reasonable determination, (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, as applicable and (c) directors' qualifying shares and shares issued to foreign nationals as required by applicable law;

(11) without duplication in respect of payments made pursuant to clause (12) below, (a) payments by the Parent or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Holding Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed the greater of £4 million and 2% of Consolidated EBITDA in each twelve month period commencing on the Issue Date, and (b) customary payments by the Parent or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Holding Entity) for financial advisory, consulting, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this sub-clause (b) are approved by a majority of the Board of Directors or an Officer of the Parent in good faith;

(12) payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Parent and its Subsidiaries; and

(13) any transaction as to which the Parent delivers to the Trustee a written opinion from an Independent Financial Advisor stating that the transaction (a) is fair to the Parent and its Restricted Subsidiaries from a financial point of view, or (b) meets the requirements of clause (1) of the first paragraph of this covenant.

Reports

For so long as any Notes are outstanding, the Parent will provide to the Trustee the following reports:

(1) within 120 days after the end of the Parent's fiscal year, beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Parent as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Parent for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited pro forma income statement information and balance sheet information of the Parent (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year (and which have not already been the subject of pro forma information provided by the Parent); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources of the Parent, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Parent, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Parent, all quarterly reports of the Parent containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such fiscal quarter and unaudited condensed statements of income and cash flow for the most recently completed fiscal quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited pro forma income statement information and balance sheet information of the Parent (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant fiscal quarter (and which have not already been the subject of pro forma information provided by the Parent); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition and material changes in liquidity and capital resources of the Parent, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition, restructuring, merger or similar transaction, or any senior executive officer changes at the Parent or change in auditors of the Parent or any other material event that the Parent announces publicly, a report containing a description of such event.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement and on a consistent basis for the periods presented; *provided, however*, that in the reports set forth in clauses (1), (2) and (3) above, in the event of a change in applicable IFRS, earlier periods may be presented on a basis that applied to such periods. Except as provided for below, no report need include separate financial statements for any Subsidiaries of the Parent. At the Parent's election it may also include financial statements of a Holding Entity in lieu of those of the Parent; *provided* that, if the financial statements of a Holding Entity are included in such report, a reasonably detailed description of material differences between the financial statements of the Holding Entity and the Parent shall be included for any period after the Issue Date. Following an Initial Public Offering of the Capital Stock of an IPO Entity and/or the listing of such Capital Stock on a recognized stock exchange, the requirements of clauses (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange.

At any time that any of the Parent's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Parent, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation of the financial condition and results of operations of the Parent and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Parent or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Parent and its Subsidiaries, which reconciliation shall include the following items: revenue, finance costs, profit/loss for the period, cash and cash equivalents, total assets, total liabilities, equity and capital expenditures. Notwithstanding the foregoing, for so long as the results of ACMH and its Subsidiaries are consolidated within the financial results of the Parent, and the Parent and its Restricted Subsidiaries are directly or indirectly entitled to all or substantially all of the distributable profits of ACMH and its Subsidiaries, through ownership of preferred ordinary shares or otherwise, the reporting requirements relating to Unrestricted Subsidiaries set out in this paragraph shall not apply with respect to ACMH and its Subsidiaries.

Substantially concurrently with the issuance to the Trustee of the reports specified in clause (1), (2) and (3) of the first paragraph of this covenant, the Parent shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such password protected website as may be then maintained by the Parent and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Board of Directors or an Officer of the Parent in good faith) or (b) to the extent the Board of Directors or an Officer of the Parent determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Exchange, and if and to the extent the rules of the Authority so require, at the registered office of the Issuer.

In addition, so long as the Notes remain outstanding and during any period during which the Parent is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Parent shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of any information, documents and reports to the Trustee pursuant to this section is for information purposes and the Trustee's receipt shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the Indenture.

Merger and consolidation

The Issuer and the Parent

Neither the Issuer nor the Parent will consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless (and subject to the other terms of the Indenture):

(1) the resulting, surviving or transferee Person (the "**Successor Company**") (if not the Parent or the Issuer, as applicable) will be a Person organized and existing under the laws of any Permissible Jurisdiction and the Successor Company (if not the Parent or the Issuer, as applicable) will expressly assume (subject in each case to any limitation contemplated by the Agreed Security Principles), (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Parent or the Issuer, as applicable, under the Notes and the Indenture and (b) to the extent required by applicable law to effect such assumption, all obligations of the Parent or the Issuer, as applicable, under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Documents;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Company would be permitted to Incur at least an additional £1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio for the Parent and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial

statements are available immediately preceding the date on which such transaction is consummated would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Parent shall have delivered to the Trustee an Officer's Certificate that such consolidation, merger or transfer and such supplemental indenture (if any) complies with the Indenture, and that all conditions precedent provided for therein relating to such transaction have been complied with or satisfied, and that the assumption (if any) of obligations under clause (1) above constitutes the legal, valid and binding obligation of the Successor Company. The Trustee shall be entitled to rely conclusively on such Officer's Certificate without independent verification.

Any Indebtedness that becomes an obligation of the Parent or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness.*"

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Parent under the Indenture and the Notes but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3), the second paragraph of this covenant and the provisions described below under "*—Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Parent and (b) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary. Notwithstanding the preceding clauses (2) and (3) (which do not apply to the transactions referred to in this sentence), the Parent may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Parent, reincorporating the Parent in another jurisdiction, or changing the legal form of the Parent.

There is no precise established definition of the phrase "**substantially all**" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "**all or substantially all**" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to (i) any transactions which constitute an Asset Disposition if the Parent has complied with the covenant described under "*—Limitation on sales of assets and Subsidiary stock*" or (ii) the creation of a new subsidiary as a Restricted Subsidiary.

Subsidiary Guarantors

No Subsidiary Guarantor may (other than a Subsidiary Guarantor whose guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement):

(1) consolidate with or merge with or into any Person;

(2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into such Subsidiary Guarantor,

unless

(A) the other Person is the Parent or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor; or

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes (in each case, subject to any limitation contemplated by the Agreed Security Principles) all of the obligations of the Guarantor under its Note Guarantee and, to the extent required by applicable law to effect such assumption, the obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security

Documents to which it is a party, in each case, subject to any limitation contemplated by the Agreed Security Principles; and (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Parent or a Restricted Subsidiary) otherwise permitted by the Indenture.

Notwithstanding the preceding sub-clause (B) and the provisions described under "*—The Issuer and the Parent*" (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Subsidiary Guarantor and (b) if there is more than one Subsidiary Guarantor, any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of their respective properties and assets to any other Subsidiary Guarantor, as the case may be. Notwithstanding the preceding sub-clause (B)(2) (which does not apply to the transactions referred to in this sentence), a Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Subsidiary Guarantor reincorporating such Subsidiary Guarantor in another jurisdiction, or changing the legal form of such Subsidiary Guarantor, as the case may be.

There is no precise established definition of the phrase "**substantially all**" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "**all or substantially all**" of the property or assets of a Person.

Suspension of covenants on achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: "*—Limitation on Restricted Payments*," "*—Limitation on Indebtedness*," "*—Limitation on restrictions on distributions from Restricted Subsidiaries*," "*—Limitation on Affiliate Transactions*," "*—Limitation on sales of assets and Subsidiary stock*," "*—Additional Note Guarantees and Collateral*" and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and consolidation—The Issuer and the Parent*," (together, the "**Suspended Covenants**") and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Parent and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Parent or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Parent's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant, to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date. To the extent such Indebtedness would not be so permitted to be Incurred under the first two paragraphs of the covenant described under "*—Limitation on Indebtedness*," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under sub-clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness.*"

In addition, on the Reversion Date, (1) any Affiliate Transaction entered into after the Reversion Date pursuant to an agreement entered into during the continuance of the Suspension Event shall be deemed to be permitted pursuant to clause (6) of the second paragraph of the covenant described under "*—Limitation on Affiliate Transactions*" and (2) any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (A) through (C) of the first paragraph of the covenant described under "*—Limitation on restrictions on distributions from Restricted Subsidiaries*" that becomes effective during the continuance of the Suspension Event shall be deemed to be permitted pursuant to sub-clause (1)(d) of the second paragraph of the covenant described under "*—Limitation on restrictions on distributions from Restricted Subsidiaries*."

The Parent shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for the suspension of the Suspended Covenants. The Trustee shall not be obliged to notify Holders of any Suspension Event or Reversion Date.

Notwithstanding that the Suspended Covenants shall be reinstated on and from the Reversion Date, no Default, Event of Default or breach of any kind will be deemed to exist under the Indenture with respect to the Suspended Covenants, and none of the Parent or any of its Subsidiaries shall bear any liability for any actions taken or events occurring during the continuance of the Suspension Event, or any actions taken at any time pursuant to any contractual obligation arising during the continuance of the Suspension Event, in each case, as a result of a failure to comply with the Suspended Covenants during the continuance of the Suspension Event (or, upon termination of the Suspension Event or after that time based solely on any action taken or event that occurred during the continuance of the Suspension Event), and following a Reversion Date, the Parent and each Restricted Subsidiary will be permitted, without causing a Default or Event of Default, to honor, comply with or otherwise perform any contractual commitments or obligations arising during the continuance of any Suspension Event to the extent that such contractual commitments or obligations are permitted or not prohibited under the Indenture, and to consummate the transactions contemplated thereby.

Financial calculations

When calculating the satisfaction of or availability under any Applicable Metric in the Indenture in connection with any Applicable Transaction, the date of determination of such Applicable Metric shall, at the option of the Parent, be any Applicable Test Date. If the Parent elects to determine any Applicable Metric as of any Applicable Test Date, it shall give pro forma effect to any other Applicable Transactions that have occurred up to (and including) such Applicable Test Date; *provided* that the pro forma calculation may exclude any non-recurring fees, costs and expenses attributable to any Applicable Transaction.

If compliance with an Applicable Metric is established in accordance with the prior paragraph, such Applicable Metric shall be deemed to have been complied with (or satisfied) for all purposes; *provided* that (1) the Parent may elect, in its sole discretion, to recalculate any Applicable Metric on the basis of a more recent Applicable Test Date, in which case, such date of redetermination shall thereafter be deemed to be the relevant Applicable Test Date for purposes of such Applicable Metrics; and (2) save as contemplated in clause (1) above, compliance with any Applicable Metric shall not be determined or tested at any time after the relevant Applicable Test Date for such transaction and any actions or transactions related thereto.

If any Applicable Metric for which compliance was determined or tested as of an Applicable Test Date would at any time after the Applicable Test Date have been exceeded or otherwise failed to have been complied with as a result of fluctuations in such Applicable Metric (or any other Applicable Metric), such Applicable Metric will not be deemed to have been exceeded or failed to have been complied with as a result of such fluctuations.

If any related requirements and conditions (including as to the absence of any continuing Default or Event of Default) for which compliance or satisfaction was determined or tested as of the Applicable Test Date would at any time after the Applicable Test Date not have been complied with or satisfied (including due to the occurrence or continuation of a Default or an Event of Default), such requirements and conditions will not be deemed to have been failed to be complied with or satisfied (and such Default or Event of Default shall be deemed not to have occurred or be continuing).

If an item of Indebtedness (or any portion thereof) is committed, incurred or issued, any Lien is committed or incurred or any other transaction is undertaken or any Applicable Metric is tested in reliance on a ratio-based basket based on the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Leverage Ratio, the Consolidated Leverage Ratio or any other ratio based Applicable Metric, such ratios shall be calculated without regard to the Incurrence of any Indebtedness to finance the working capital needs of the Parent and its Restricted Subsidiaries under any revolving facility, letter of credit facility, bank guarantee facility or bonding facility and/or other debt which is available to be re-drawn (including under the Revolving Facilities, any guarantee facility or any ancillary facility under the Revolving Facilities Agreement) and, for the avoidance of doubt, any undrawn commitments for Indebtedness (including under a revolving facility or guarantee facility) shall be disregarded for the purposes of testing the Applicable Metric.

Subject to the covenant described under "*—Limitation on Indebtedness*," if a proposed action, matter, transaction or amount (or a portion thereof) is incurred or entered into pursuant to a numerical permission and at a later time would subsequently be permitted under a ratio-based permission, unless otherwise elected by the

Parent, such action, matter, transaction or amount (or a portion thereof) shall automatically be reclassified to such ratio-based permission.

For any relevant Applicable Metric set by reference to a fiscal year, a calendar year, a four-quarter period or any other similar annual period (each an "**Annual Period**"):

(a) at the option of the Parent, the maximum amount so permitted under such Applicable Metric during such Annual Period may be increased by: (A) an amount equal to 100% of the difference (if positive) between the permitted amount in the immediately preceding Annual Period and the amount thereof actually used or applied by the Parent and its Restricted Subsidiaries during such preceding Annual Period (the "**Carry Forward Amount**"); and/or (B) an amount equal to 100% of the permitted amount in the immediately following Annual Period and the permitted amount in such immediately following Annual Period shall be reduced by such corresponding amount (the "**Carry Back Amount**"); and

(b) to the extent that the maximum amount so permitted under such Applicable Metric during such Annual Period is increased in accordance with clause (a) of this paragraph, any usage of such Applicable Metric during such Annual Period shall be deemed to be applied in the following order: (A) first, against the Carry Forward Amount; (B) second, against the maximum amount so permitted during such Annual Period prior to any increase in accordance with clause (a) of this paragraph; and (C) third, against the Carry Back Amount.

Notwithstanding anything to the contrary in the Indenture, when calculating any financial definition or ratio under the Indenture, the Parent shall be permitted to exclude all or any part of any expenditure or other negative item (and/or the impact thereof) directly or indirectly relating to or resulting from (1) the Transactions; (2) any acquisition, Investment or other joint venture permitted by the terms of the Indenture or the impact from purchase price accounting; (3) start-up costs for new businesses or sites and branding or re-branding of existing businesses; and/or (4) costs or expenses relating to employee relocation, retraining, severance and termination, business interruption, reorganization and other restructuring or cost cutting measures, the rationalization, re-branding, start up, reduction or elimination of product lines, assets, sites or businesses, the consolidation, relocation or closure of sites or administrative locations and other similar items (for the avoidance of doubt, excluding any related capital expenditure).

Additional Note Guarantees and Collateral

Subject to the Agreed Security Principles, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Parent will not cause or permit any of its Restricted Subsidiaries (other than a Permitted Purchase Obligations SPV) that are not Guarantors or the Issuer, directly or indirectly, to Guarantee any Indebtedness under the Revolving Facilities Agreement (or other Indebtedness that is Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*") or any Public Debt exceeding £20 million in principal amount, in whole or in part unless, in each case, such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture or other appropriate agreement pursuant to which such Restricted Subsidiary will provide a Guarantee on the same terms and conditions as those set forth in the Indenture, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee.

Following the provision of any additional Guarantees as described above, subject to the Agreed Security Principles, the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), any such Guarantor will provide security over certain of its material assets (excluding any assets of such Guarantor which are subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any obligations secured by such Permitted Lien) to secure its Guarantee on a first priority basis consistent with the security agreements related to the existing Collateral. Each additional Guarantee or security will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing paragraphs, the Parent will not be obligated to cause (i) such Restricted Subsidiary to Guarantee the Notes or provide security to the extent and for so long as the Incurrence of such Guarantee could or the grant of such security would be inconsistent with the Intercreditor Agreement or the Agreed Security Principles or if the relevant assets to be subject to such security are the capital stock or assets of a Permitted Purchase Obligations SPV or (ii) Quest Topco Limited, Quest Bidco Limited or Quest Newco Limited to Guarantee the Notes or provide security as a result of the Guarantee by such Restricted Subsidiaries of the Existing Notes.

Impairment of security interest

The Parent and Midco shall not, and shall not permit any Restricted Subsidiary to, take any action, which action would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens, or the confirmation or affirmation of security interests in respect of the Collateral, shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Parent and Midco shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Transaction Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, any Lien over any of the Collateral that is prohibited by the covenant entitled "*—Limitation on Liens*;" *provided* that the Parent, its Restricted Subsidiaries and Midco may Incur any Lien over any of the Collateral that is not prohibited by the covenant entitled "*—Limitation on Liens*," including Permitted Collateral Liens, and the Collateral may be discharged, transferred or released in any circumstances not prohibited by the Indenture, the applicable Transaction Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the Indenture, the applicable Transaction Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement.

Subject to the foregoing, the Transaction Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided*, *however*, that (except where permitted by the Indenture or the Intercreditor Agreement or to effect or facilitate the creation of Permitted Collateral Liens for the benefit of the Security Agent and the holders of other Indebtedness Incurred in accordance with the Indenture) no Transaction Security Document may be amended, extended, renewed, restated or otherwise modified or released unless contemporaneously with such amendment, extension, renewal, restatement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Parent delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an Independent Financial Advisor or appraiser or investment bank which confirms the solvency of the Parent and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release, (2) a certificate from an Officer of the relevant Person which confirms the solvency of the Person granting such Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), or (3) an Opinion of Counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Trustee and the Security Agent, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Transaction Security Document, so amended, extended, renewed, restated, modified or released and replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, modification or release and replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject. In the event that the Parent, its Restricted Subsidiaries and Midco comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such actions without the need for instructions from the Holders.

Further assurances

Subject to the Agreed Security Principles, the Parent, its Restricted Subsidiaries and Midco will, at their own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Transaction Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Transaction Security Documents and (ii) if such Transaction Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Transaction Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. Subject to the Agreed Security Principles, the Parent, its Restricted Subsidiaries and Midco will execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Limitation on Issuer activities and on Trust Management SPVs and amendments to fund arrangements

Limitation on Issuer activities

The Issuer will not engage in any business activity or undertake any other activity, other than any activity: (a) subject to compliance with the terms of the Indenture, related to the offering, sale, issuance, servicing, purchase, redemption, amendment, exchange, refinancing or retirement of or investment in the Notes or any Indebtedness permitted to be Incurred under the Indenture; (b) undertaken with the purpose of fulfilling its obligations under the Notes, the Indenture and any other document relating to the Notes or any Indebtedness permitted to be Incurred under the Indenture, including without limitation any security documents, or any intercreditor agreement; (c) related to the establishment and maintenance of the Issuer's corporate existence; (d) related to using amounts received by the Issuer for any purpose not otherwise prohibited by the Indenture; or (e) related to the foregoing. The Issuer will not issue any Capital Stock (other than to the Parent or a Restricted Subsidiary) or undertake any transaction that will require the Issuer to register as an "investment company" or an entity "controlled by an investment company" as defined in the U.S. Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

Limitation on Trust Management SPVs

No Trust Management SPV will: (a) engage in any business activity or undertake any other activity, other than such activities (i) necessary or ancillary to managing Trust Management Assets including as necessary to fulfill any obligations or duties of the Trust Management SPV as a trustee and including as specifically contemplated hereby including the disposition of any Trust Management Assets, Incurrence of Indebtedness where the proceeds of such Indebtedness are used to finance the purchase of Trust Management Assets and granting liens on Trust Management Assets or (ii) related to the establishment and maintenance of the Trust Management SPV; (b) issue any Capital Stock other than to the Parent or any other Restricted Subsidiary; (c) incur any Indebtedness other than Indebtedness without recourse to the Parent or any other Restricted Subsidiary or any of their assets; (d) hold any assets other than Trust Management Assets and any other assets necessary or ancillary to managing such Trust Management Assets; (e) establish any subsidiaries or own Capital Stock of any entity for any purpose; or (f) undertake any transaction that will require the Issuer to register as an "investment company" or an entity "controlled by an investment company" as defined in the U.S. Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

Limitation on amendments to fund compensation agreements

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, amend any Compensation Arrangement unless (i) the terms of such amendment (or each Compensation Arrangement as so amended) taken as a whole, are in the good faith determination of an Officer of the Parent fair to the Parent and its Restricted Subsidiaries; and (ii) in the event such amendment involves an aggregate value in excess of the greater of £10 million and 10% of Consolidated EBITDA, the terms of such amendment have been approved by a majority of the members of the Board of Directors of the Parent resolving that such transaction complies with clause (i) above.

Limitation on use of proceeds from fund management disposal

In the event that the Parent disposes of, directly or indirectly, all or substantially all of the business of ACMH and its Subsidiaries, the Parent will procure that the Net Available Cash received by ACMH or any of its

Subsidiaries in relation to such disposal shall be distributed to the Parent and/or one or more of its Restricted Subsidiaries.

Events of Default

Each of the following is an "**Event of Default**" under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with any of the Issuer's obligations under the covenants described under "*—Change of Control*" above or the obligations of the Parent and the Restricted Subsidiaries under the covenants described under "*—Certain covenants*" above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);

(4) failure by the Parent or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with the Issuer's or the Guarantors' other agreements contained in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Parent or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Parent or any of its Restricted Subsidiaries) other than Indebtedness owed to the Parent or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

   (a) is caused by a failure to pay principal at Stated Maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("**payment default**"); or

   (b) results in the acceleration of such Indebtedness prior to its maturity (the "**cross acceleration provision**");

   and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates £30 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer, the Parent, Midco, or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "**bankruptcy provisions**");

(7) failure by the Issuer, the Parent, a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary, to pay final judgments aggregating in excess of £30 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and due (the "**judgment default provision**");

(8) any security interest under the Transaction Security Documents on any material Collateral having a fair market value in excess of £30 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Transaction Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or such Transaction Security Document or any such security interest created thereunder shall be declared invalid or unenforceable in a final non-appealable decision of a court of competent

jurisdiction or the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "**security default provisions**"); and

(9) any Note Guarantee ceases to be in full force and effect (other than in accordance with the terms of the Intercreditor Agreement and the Indenture), or a Guarantor denies or disaffirms its obligations under its Note Guarantee in writing, other than in accordance with the terms thereof or upon release of the Note Guarantee in accordance with the Indenture.

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of at least 30% in aggregate principal amount of the outstanding Notes notify the Parent of the default and, with respect to clauses (3), (4), (5) and (7), the Parent does not cure such default (or arranges for such default to be cured) within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Parent, or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Parent and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) of this "*Events of Default*" section has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to (i) nonpayment of principal, premium or interest, or Additional Amounts, if any and (ii) a covenant or provision which under the Indenture cannot be modified or amended without the consent of the Holders of at least 75% or 90% of the principal amount of the Notes then outstanding, as applicable, each of which may only be waived with the consent of the Holders of at least 75% or 90% of the principal amount of the Notes then outstanding, as applicable) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security (including by way of prefunding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing the Trustee indemnity and/or security (including by way of prefunding) satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the offer of security and/or indemnity (including by way of prefunding); and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing and a responsible officer of the Trustee has received written notice, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of prefunding) satisfactory to it against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and a responsible officer of the Trustee is informed of such occurrence by the Parent, the Trustee must give notice of the Default to the Holders within 90 days after being notified by the Parent. The Parent will be required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate signed by an authorized representative of the Parent indicating whether the signers thereof know of any Default that occurred during the previous year. The Parent will be required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute a Default or an Event of Default, their status and what action the Parent is taking or proposes to take in respect thereof.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of prefunding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Holders may not enforce the Indenture or the Notes except as will be provided in the Indenture and may not enforce the Transaction Security Documents except as will be provided in such Transaction Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

Amendments and waivers

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided* that if any amendment, waiver or other modification will only amend, waive or modify one or more series of the Notes, at the election of the Parent only the consent of a majority in aggregate principal amount of the then outstanding Notes of each such series (and not the consent of at least a majority of all Notes then outstanding) shall be required. However, without the consent of Holders holding not less than 90% (or, in the case of clause (9), 75%) of the then outstanding aggregate principal amount of Notes (or if such amendment, waiver or other modification will only amend, waive or modify one or more series of the Notes, at the election of the Parent, the same percentage of the relevant one or more series of Notes), an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;

(3) reduce the principal of or extend the Stated Maturity of any such Note;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "*—Optional redemption*" or "*—Redemption for taxation reasons*;"

(5) make any such Note payable in money other than that stated in such Note;

(6) amend the contractual right of any Holder to institute suit for the payment of principal or interest on or with respect to such Holder's Notes on or after the due dates thereof;

(7) make any change in the provision of the Indenture described under "*—Additional Amounts*" that adversely affects the right of any Holder of such Notes in any material respect or amend the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all the Guarantors from their obligations under their respective Note Guarantees or the Indenture, except otherwise in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) (i) release the security interest granted for the benefit of the Holders in the material Collateral, other than pursuant to the terms of the Transaction Security Document or the Indenture, as applicable, except as permitted by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, (ii) expressly subordinate the Notes or any Note Guarantee to any other Indebtedness of the Issuer or any Guarantor other than as contemplated by the Intercreditor Agreement or any Additional Intercreditor Agreement, or (iii) amend the ranking of the Notes as specified in the Indenture or the Intercreditor Agreement adversely to the Holders;

(10) waive a Default or Event of Default with respect to the nonpayment of principal, premium, interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(11) make any change in the amendment or waiver provisions which require the Holders' consent holding not less than 90% (or, in the case of clause (8), 75%) of the then outstanding aggregate principal amount of such Notes.

Notwithstanding the foregoing, without the consent of any Holder, the Parent, the Issuer, the Guarantors, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision of the Note Documents to the "*Description of the New Notes*" contained in this Exchange Offer Memorandum and the "*Description of the New Notes*" contained in the final offering memorandum issued by the Issuer in connection with the New Money Notes Offering (to the extent such amendment or supplement is in respect of Note Documents for a new series of Notes without affecting the Note Documents for Notes already in issue), or reduce the minimum denomination of the Notes;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or the Guarantors under any Note Document;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 4701(b)(1)(B) of the Code) or change the minimum denominations for the Notes;

(4) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer, the Parent or any Restricted Subsidiary;

(5) make any change that would provide additional rights or benefits to the Trustee or the Holders or does not adversely affect the rights of or benefits to the Trustee or any Holder in any material respect;

(6) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Parent) for the issuance of Additional Notes;

(7) provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*—Certain covenants—Limitation on Indebtedness*" and "*—Certain covenants—Additional Note Guarantees and Collateral*," to add Note Guarantees, add security to or for the benefit

of the Notes, or confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Transaction Security Documents) or any amendment in respect thereon with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is permitted under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Transaction Security Documents;

(8) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or

(9) in the case of the Transaction Security Documents, mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Revolving Facilities Agreement in any property which is required by the Revolving Facilities Agreement (in each case, as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under "*—Certain covenants—Impairment of security interest*" is complied with.

In formulating its decisions on such matters, the Trustee shall be entitled to rely on such evidence as it deems appropriate, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

If and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Authority so require, the Issuer will notify the Exchange of any amendment, supplement and waiver.

For the purposes of calculating the aggregate principal amount of the Notes under these provisions, the principal amount of any Notes not denominated in pound sterling shall be translated into the Sterling Equivalent amount as of a determination date to be established by the Issuer in connection with any amendment, consent, waiver or modification sought hereunder.

Acts by Holders

In determining whether the Holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Issuer, the Parent or any Subsidiary or Holding Company of the Parent will be disregarded and deemed not to be outstanding (save as provided in the ninth paragraph of the provisions described under "*—Change of Control*").

Defeasance

The Issuer at any time may terminate all its, Midco's and each Guarantor's obligations under the Notes and the Indenture ("**legal defeasance**") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Transaction Security Documents in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate all its, Midco's and each Guarantor's obligations under the covenants described under "*—Certain covenants*" (other than with respect to clauses (1) and (2) of the first paragraph of the covenant described under "*—Certain covenants—Merger and consolidation—The Issuer and the Parent*" and the covenant described under "*—Certain covenants—Merger and consolidation—Subsidiary Guarantors*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross default upon a payment default, the cross acceleration provisions, the bankruptcy provisions, the judgment default provision, the guarantee default provision and the security default provision described under "*—Events of Default*" above ("**covenant defeasance**").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of the covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the first paragraph of the covenant described under "*—Certain covenants—Merger and consolidation—The Issuer and the Parent*" and the covenant described under "*—Certain covenants—Merger and consolidation—Subsidiary Guarantors*"), (4), (5), (6) (other than with respect to the Issuer and the Parent), (7), (8) or (9) under "*—Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "**defeasance trust**") with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose) (i) with respect to the Notes denominated in pound sterling, cash in pound sterling, UK Government Obligations, or a combination of cash in pound sterling and UK Government Obligations and (ii) with respect to the Notes denominated in euro, cash in euro, euro-denominated European Government Obligations or a combination of cash in euro and euro-denominated European Government Obligations, in each case, in such amounts as will be sufficient, in the good faith determination of the Board of Directors or an Officer of the Parent, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the Issue Date);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Document will be discharged and cease to be of further effect (except as to surviving rights of the Trustee and conversion or transfer or exchange of the Notes, as will be expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Paying Agent and the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose), (i) with respect to Notes denominated in pound sterling, cash in pound sterling, UK Government Obligations or a combination of cash in pound sterling and UK Government Obligations and (ii) with respect to Notes denominated in euro, cash in euro, euro-denominated European Government Obligations, or a combination of cash in euro and euro-denominated European Government Obligations, in each case, in an amount sufficient, in the good faith determination of the Board of Directors or an Officer of the Parent to pay and discharge the outstanding aggregate principal amount of indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated

Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; and (4) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*—Satisfaction and discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No personal liability of directors, officers, employees and shareholders

No director, manager, officer, employee, incorporator or shareholder of the Issuer, Midco or the Parent, any of the Parent's Subsidiaries or any of their respective Affiliates, as such, shall have any liability for any obligations of the Issuer, Midco or the Guarantors under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and certain agents

GLAS Trust Company LLC will be the Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture is not to be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee is permitted to engage in other transactions with the Parent, the Issuer and their respective Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes by giving notice to the Trustee and the Issuer, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest in its capacity as Trustee that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses Incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture. Each of the Trustee and the Security Agent shall be entitled to rely solely and conclusively on any Officer's Certificate in formulating its opinion or in taking any action (including, without limitation, release of a Guarantee or Collateral) under the Indenture, and may rely on such Officer's Certificate without need for investigation or verification (including for the avoidance of doubt the receipt of Opinions of Counsel), except as may otherwise be expressly required under the terms of the Indenture.

Notices

All notices to Holders will be validly given if emailed to them at their respective email addresses in the register of the Holders, if any, maintained by the Registrar. In addition, if and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Authority so require, the Issuer will notify the Authority of any notices with respect to the Notes. For so long as any Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, for further transmission to the holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are emailed, such notice shall be deemed to have been given on the later of such publication and the day after being so emailed. Any notice or communication emailed to a Holder shall be emailed to such Person's email addresses in the register of the Holders and shall be sufficiently given to such Holder if so emailed within the time prescribed. Failure to email, cause to be delivered or otherwise transmit a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is emailed or delivered in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes or any Note Guarantee will be prescribed five years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed three years after the applicable due date for payment of interest.

Currency indemnity

The currency in which any series of Notes hereunder is issued (the "**Relevant Currency**") is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with such series of Notes and the relevant Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than the Relevant Currency, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the Relevant Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Relevant Currency amount is less than the Relevant Currency amount expressed to be due to the recipient or the Trustee under any series of Notes, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the 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.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any pound sterling-denominated restriction herein, the Sterling Equivalent amount for purposes hereof that is denominated in a currency other than pound sterling shall be calculated based on the relevant currency exchange rate in effect on the date such non-pound sterling amount is Incurred or made, as the case may be.

Enforceability of judgments

Since all the assets of the Issuer, Midco and the Guarantors are held or located outside the United States, any judgment obtained in the United States against the Issuer, Midco or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Guarantees, may not be collectable within the United States.

Consent to jurisdiction and service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Note Guarantees, the Issuer, Midco and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, including any Note Guarantees, and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

Set forth below are certain defined terms which will be used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms to be used therein, as well as any other capitalized terms used herein for which no definition is provided.

"**ACO I**" means Arrow Credit Opportunities Scsp, SICAV-RAIF or any successor entity to the business of Arrow Credit Opportunities Scsp, SICAV-RAIF, including any separately managed accounts associated with Arrow Credit Opportunities Scsp, SICAV-RAIF.

"**ACO II**" means Arrow Credit Opportunities II Scsp, SICAV-RAIF or any successor entity to the business of Arrow Credit Opportunities II Scsp, SICAV-RAIF, including any separately managed accounts associated with Arrow Credit Opportunities II Scsp, SICAV-RAIF.

"**ACO I Compensation Arrangements**" means any agreements between ACO I and/or ACML, on the one hand, and the Parent and/or any of its Restricted Subsidiaries, on the other, relating to the payment or allocation of management fees or carried interest in relation to ACO I.

"**ACO II Compensation Arrangements**" means any agreements between ACO II and/or ACML, on the one hand, and the Parent and/or any of its Restricted Subsidiaries, on the other, relating to the payment or allocation of management fees or carried interest in relation to ACO II.

"ACO III" means the general partner and/or manager of the future fund to be designated as "ACO III," to be identified and designated by an Officer's Certificate under the Indenture, or any successor entities thereto, and including any separately managed accounts associated therewith.

"**ACO III Compensation Arrangements**" means any agreements between ACO III and/or ACML, on the one hand, and the Parent and/or any of its Restricted Subsidiaries, on the other, relating to the payment or allocation of management fees or carried interest in relation to ACO III.

"**ALO I**" means Arrow Lending Opportunities I A SCSp, SICAV-RAIF and Arrow Lending Opportunities I B SCSp, SICAV-RAIF, or any successor entities to the business of Arrow Lending Opportunities I A SCSp, SICAV-RAIF and Arrow Lending Opportunities I B SCSp, SICAV-RAIF, including any separately managed accounts associated with Arrow Lending Opportunities I A SCSp, SICAV-RAIF and Arrow Lending Op-portunities I B SCSp, SICAV-RAIF.

"**ALO I Compensation Arrangements**" means any agreements between ALO I and/or ACML, on the one hand, and the Parent and/or any of its Restricted Subsidiaries, on the other, relating to the payment or allocation of management fees or carried interest in relation to ALO I, in each case, in effect from and after the final closing of ALO I.

"**AREO I**" means Arrow Real Estate Opportunities I Scsp, SICAV-RAIF or any successor entity to the business of Arrow Real Estate Opportunities I Scsp, SICAV-RAIF, including any separately managed accounts associated with Arrow Real Estate Opportunities I Scsp, SICAV-RAIF.

"**AREO II**" means Arrow Real Estate Opportunities II SCSp, SICAV-RAIF or any successor entity to the business of Arrow Real Estate Opportunities II SCSp, SICAV-RAIF, including any separately managed accounts associated with Arrow Real Estate Opportunities II SCSP, SICAV-RAIF.

"**AREO I Compensation Arrangements**" means any agreements between AREO I and/or ACML, on the one hand, and the Parent and/or any of its Restricted Subsidiaries, on the other, relating to the payment or allocation of management fees or carried interest in relation to AREO I.

"**AREO II Compensation Arrangements**" means any agreements between AREO II and/or ACML, on the one hand, and the Parent and/or any of its Restricted Subsidiaries, on the other, relating to the payment or allocation of management fees or carried interest in relation to AREO II, in each case, in effect from and after the final closing of AREO II.

"**Acquired Indebtedness**" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Parent or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to sub-clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to sub-clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to sub-clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"**Additional Assets**" means:

(1) any property or assets used or to be used by the Parent, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets), including for the avoidance of doubt, Rights to Collect, Rights to Participate and Underlying Portfolio Assets;

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Parent or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

"**Additional Intercreditor Agreement**" means one or more intercreditor agreements or deeds, including a restatement, replacement, amendment or other modification of the Intercreditor Agreement.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Agreed Security Principles**" means the agreed security principles as set out in an annex to the Revolving Facilities Agreement, as applied to the Indenture and the Notes *mutatis mutandis* reasonably and in good faith by the Board of Directors or an Officer of the Parent.

"**Applicable Metric**" means any financial covenant or financial ratio or Incurrence-based permission, test, basket or threshold in the Indenture (including any financial definition or component thereof and any financial ratio, test, basket or threshold or permission based on the calculation of Consolidated EBITDA, the Consolidated Senior Secured Leverage Ratio, the Consolidated Leverage Ratio or the Fixed Charge Coverage Ratio), any Default, Event of Default or other relevant breach of the Indenture.

"**Applicable Premium**" means, with respect to any New Floating Rate Note on any redemption date, the excess of:

(i) the present value at such redemption date of (x) the redemption price of such New Floating Rate Note at December 15, 2025 (such redemption price being set forth in the table appearing under the caption "*—Optional redemption—Optional redemption of the New Floating Rate Notes*"), plus (y) all required interest payments due on such New Floating Rate Note through December 15, 2025 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate as of the date of such redemption notice plus 50 basis points, and computed as though the interest rate in effect on the date of redemption were applicable throughout such period; over

(ii) the outstanding principal amount of such New Floating Rate Note;

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, the Paying Agent, the Calculation Agent, the Transfer Agent or the Registrar.

"**Applicable Reporting Date**" means, as at any date of determination, at the Parent's election (which election the Parent may revoke and re-make at any time and from time to time):

(1) the last day of the most recent fiscal quarter in respect of which a report or financial statements have been delivered to the terms of the covenant described under "*—Certain covenants—Reports*," with such Applicable Metric determined by reference to such report or financial statements, whichever is more recent; or

(2) the last day of the most recently completed Annual Period for which the Parent and its Restricted Subsidiaries have sufficient available information to be able to determine such Applicable Metric, with such Applicable Metric determined by reference to such available information.

"**Applicable Test Date**" means the Applicable Transaction Date or, at the Parent's election (which election the Parent may revoke and re-make at any time and from time to time), the Applicable Reporting Date prior to any Applicable Transaction Date.

"**Applicable Transaction**" means any Investment, acquisition, disposition, sale, merger, joint venture, consolidation or other business combination transaction, Incurrence, Change of Control, assumption, commitment, issuance, repayment, repurchase or refinancing of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, any creation of a Lien, any Restricted Payment, any Affiliate Transaction, any designation of a Restricted Subsidiary or Unrestricted Subsidiary, any Asset Disposition or any other transaction for which an Applicable Metric shall be determined; *provided* that, if any such transaction (the "**first transaction**") is being effected in connection with another such transaction (the "**second transaction**"), the second transaction shall also be an Applicable Transaction with respect to the first transaction.

"**Applicable Transaction Date**" means, in relation to any Applicable Transaction, at the Parent's election (which election the Parent may revoke and re-make at any time and from time to time):

(1) the date of any letter, definitive agreement, instrument, put option, scheme of arrangement or similar arrangement in relation to such Applicable Transaction (unilateral, conditional or otherwise);

(2) the date that any commitment, offer, announcement, communication or declaration (unilateral, conditional, or otherwise) with respect to such Applicable Transaction is made or received;

(3) the date that any notice, which may be revocable or conditional, of any repayment, repurchase or refinancing of any relevant Indebtedness is given to the holders of such Indebtedness;

(4) the date of consummation, Incurrence, payment or receipt of payment in respect of the Applicable Transaction;

(5) any other date determined in accordance with the Indenture; or

(6) any other date relevant to the Applicable Transaction determined by the Parent in good faith.

"**Asset Disposition**" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "**disposition**") by the Parent or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, conveyance or other disposition of all or substantially all the assets of the Parent and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "*—Change of Control*" or the provisions described above under the caption "*—Certain covenants—Merger and consolidation*" and not by the covenant described under "*—Certain covenants—Limitations on sales of assets and Subsidiary stock*." Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Parent or by the Parent or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory or Portfolio Assets (including dispositions of Rights to Collect and Rights to Participate), in each case, including into a trust in favor of third parties or otherwise;

(4) a disposition of obsolete, damaged, unnecessary, unsuitable, surplus or worn out equipment, inventory or other assets or equipment, inventory or other assets that are no longer useful in the conduct of the business of the Parent and its Restricted Subsidiaries (including the disposal, lapse or abandonment of intellectual property that it is no longer economically practicable to maintain or which is no longer required for the business of the Parent and its Restricted Subsidiaries);

(5) transactions permitted under "*—Certain covenants—Merger and consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Parent or to a Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Parent;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value of less than the greater of (i) £15 million and (ii) 5% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain covenants—Limitation on Restricted Payments*" and the making of any Permitted Payments or Permitted Investments or, solely for purposes of the second and third paragraphs under "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*," asset disposition, in respect of which (and only to the extent that) the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements but, for the avoidance of doubt, including dealings with trade debtors with respect to book debts;

(11) the licensing or sub-licensing, leasing or assigning of intellectual property or other general intangibles and licenses, sub-licenses, assignments, leases, subleases or other dispositions of other property (including without limitation equipment or vehicles), in each case, in the ordinary course of business or consistent with industry practices;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) any disposition of Capital Stock, Indebtedness or other securities or assets of an Unrestricted Subsidiary other than ACMH or any of its Subsidiaries;

(15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Parent or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(16) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind (including any disposition of a loan in connection with a capitalization, forgiveness, waiver, release or other discharge of that loan);

(17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Parent or any Restricted Subsidiary to such Person;

(18) any disposition with respect to assets built, owned or otherwise acquired by the Parent or any Restricted Subsidiary (together with any related rights and assets) pursuant to sale and leaseback transactions and sale and hire purchase transactions, asset securitizations and other similar financings;

(19) sales or dispositions of receivables, bills of exchange and/or inventory, together with any related rights and assets, including cash collection accounts, books and records (with or without recourse, and on customary or commercially reasonable terms), or any disposition of the Capital Stock of a Subsidiary, all or substantially all of the assets of which relate to a transaction described below:

(i) in connection with any factoring, sale or discounting transaction (or other receivables based financing arrangements); or

(ii) in the ordinary course of business; or

(iii) any dispositions in connection with the entry into a Capitalized Lease Obligation; and

(20) any disposition of any asset made in order to (i) comply with an order of any agency of state, authority or other regulatory body or any applicable law or regulation or (ii) resolve competition concerns identified by the relevant antitrust authorities in connection with an acquisition; *provided* that, the proceeds from such disposition shall be applied in accordance with clauses (a), (b), (c), (d) or (e) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*."

"**Associate**" means (i) any Person engaged in a Similar Business of which the Parent or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Parent or any Restricted Subsidiary.

"**Board of Directors**" means (1) with respect to the Parent or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"**Bund Rate**" means, with respect to any date of a redemption notice, the yield to maturity as of the date of such redemption notice of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the date of such redemption notice (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the date of such redemption notice to the First Call Date (which "First Call Date" shall be December 15, 2025 (in the case of the New Floating Rate Notes)); *provided, however*, that if the period from the date of such redemption notice to the relevant First Call Date is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from the date of such redemption notice to the relevant First Call Date is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used; *provided, further*, that if such yield would otherwise be less than zero, it shall be deemed to be zero.

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, New York, New York, United States or the Channel Islands are authorized or required by law, regulation or executive order to close; *provided, however*, that for any payments to be made under the Indenture, such day shall also be a day on which the T2 payment system is open for the settlement of payments.

"**Capital Stock**" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Capitalized Lease Obligations**" means an obligation that is required to be classified and accounted for as a finance lease for financial reporting purposes on the basis of IFRS as of the Issue Date. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty; *provided* that any obligations in respect of leases which are of a type that would have been previously categorized as operating leases prior to the adoption of IFRS 16 ("*Capitalized Operating Leases*") shall not be categorized as Capitalized Lease Obligations for the purposes of the Indenture.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully Guaranteed or insured by a Permissible Jurisdiction or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition (or, if later, from the relevant date of calculation under the Indenture);

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances (in each case, including any such deposits made pursuant to any sinking fund established by the Parent or any Restricted Subsidiary) having maturities of not more than one year from the date of acquisition thereof (or, if later, from the relevant date of calculation under the Indenture) issued by any lender to the Parent or a Restricted Subsidiary or by any bank or trust company (a) whose commercial paper is rated at least "*A-1*" or the equivalent thereof by S&P or at least "*P-1*" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above or clause (5) below entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "*A-2*" or the equivalent thereof by S&P or "*P-2*" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof (or, if later, from the relevant date of calculation under the Indenture);

(5) readily marketable direct obligations issued by a Permissible Jurisdiction or any agency or instrumentality thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition (or, if later, from the relevant date of calculation under the Indenture);

(6) Indebtedness or Preferred Stock issued by Persons with a rating of "*BBB-*" or higher from S&P or "*Baa3*" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition (or, if later, from the relevant date of calculation under the Indenture);

(7) bills of exchange issued in a Permissible Jurisdiction or any agency or instrumentality thereof, in each case, eligible for rediscount at the relevant central bank and accepted by a bank or other financial institution (or any dematerialized equivalent); and

(8) interests in any investment company, money market fund or enhanced high yield fund which invests 95% or more of its assets in cash or in instruments of the type specified in clauses (1) through (7) above.

"**Change of Control**" means:

(1) the Parent becomes aware that (by way of a report or any other filing pursuant to any regulatory filing, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or has become the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Parent; *provided* that for the purposes of this clause, (x) any holding company whose only material assets relate to ownership of the Capital Stock of the Parent

will not itself be considered a "person" or "group;" and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock than any other Permitted Holder; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all the assets of the Parent and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

Notwithstanding the preceding or any provision of Rule 13d-3 of the Exchange Act, (i) a Person or group shall not be deemed to beneficially own securities subject to an equity or asset purchase agreement, merger agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the transactions contemplated by such agreement, (ii) if any group includes one or more Permitted Holders, the issued and outstanding Voting Stock of the Parent beneficially owned, directly or indirectly, by any Permitted Holders that are part of such group shall not be treated as being beneficially owned by any other member of such group for purposes of determining whether a Change of Control has occurred and (iii) a Person or group will not be deemed to beneficially own the Voting Stock of another person as a result of its ownership of Voting Stock or other securities of such other Person's Holding Entity (or related contractual rights) unless it owns 50% or more of the total voting power of the Voting Stock of such Holding Entity. For purposes of this definition and any related definition to the extent used for purposes of this definition, at any time when 50% or more of the total voting power of the Voting Stock of the Parent is directly or indirectly owned by a Holding Entity, all references to the Parent shall be deemed to refer to its ultimate Holding Entity (but excluding any Permitted Holder) that directly or indirectly owns such Voting Stock.

"**Clearstream**" means Clearstream Banking S.A., or any successor securities clearing agency.

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Commodity Hedging Agreements**" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"**Compensation Arrangements**" means, (i) the ACO I Compensation Arrangements, (ii) the ACO II Compensation Arrangements, (iii) the AREO I Compensation Arrangements, (iv) the AREO II Compensation Arrangements, (v) the ALO I Compensation Arrangements, (vi) the ACO III Compensation Arrangements, (vii) any Future Fund Compensation Arrangements and (viii) the preferred ordinary shares issued by ACML and held by Arrow Global Limited.

"**Consolidated EBITDA**" for any period means, without duplication, the Consolidated Net Income for such period, plus the following:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization, including any amortization of Portfolio Assets, and impairment expense;

(5) any expenses, charges or other costs related to any equity offering (including any Equity Offering and IPO Event), Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful) (including any such fees, expenses or charges related to the Transactions), in each case, as determined in good faith by the Parent;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of (i) management, monitoring, consulting, employment and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain covenants—Limitation on Affiliate Transactions*," and (ii) any fees and other compensation paid to the members of the board of directors (or the equivalent thereof) of the Parent or any Holding Entity;

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other items classified by the Parent as extraordinary, exceptional, unusual or nonrecurring items, plus the release of provisions, less other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (13) inclusive of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period);

(9) any effects of hedging and treasury transactions in respect of actual or anticipated exposures arising in the ordinary course of business of the Parent and its Restricted Subsidiaries; and

(10) the aggregate amount of cash or Cash Equivalents distributed by any Unrestricted Subsidiary during such period to the Parent or a Restricted Subsidiary as a dividend or other distribution.

Wherever used in the Indenture:

(i) Consolidated EBITDA shall be adjusted for pro forma and other adjustments (including, without limitation, the pro forma effects of Sales, Purchases and other adjustments) on the same basis as for calculating the Consolidated Leverage Ratio for the Parent and its Restricted Subsidiaries; and

(ii) Consolidated EBITDA shall be measured for the period of the most recent four consecutive fiscal quarters ending prior to the date for which such internal consolidated financial statements of the Parent are available, for the relevant Applicable Test Date.

"**Consolidated Financial Interest Expense**" means, for any period (in each case, determined on the basis of IFRS), the sum of:

(1) consolidated net interest of the Parent and its Restricted Subsidiaries related to Indebtedness in cash or in kind (including (a) the interest component of Capitalized Lease Obligations, and (b) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any Pension Items, amortization of discount, debt issuance costs and premiums, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in sub-clause (b) above). Notwithstanding anything to the contrary stated above, but subject to clause (3) below, "**Consolidated Financial Interest Expense**" shall not include any interest expense relating to interest of any entity that is not the relevant Person, the Parent or a Restricted Subsidiary;

(2) dividends or other distributions in respect of all Disqualified Stock of the Parent and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Parent or a Subsidiary of the Parent; and

(3) any interest on Indebtedness of another Person that is guaranteed by the Parent or any of its Restricted Subsidiaries or secured by a Lien on assets of the Parent or any of its Restricted Subsidiaries.

Consolidated Financial Interest Expense shall be calculated net of any interest income.

"**Consolidated Income Taxes**" means Taxes or other payments, including deferred Taxes, based on income, profits or capital (including, without limitation, withholding Taxes), trade Taxes and franchise Taxes of any of the Parent and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

"**Consolidated Interest Expense**" means, for any period (in each case, determined on the basis of IFRS), the consolidated interest income/expense of the Parent and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, debt issuance costs and premium;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(5) the net payments (if any) of Hedging Agreements (excluding amortization of fees and discounts and unrealized gains and losses, costs associated with Hedging Obligations (including termination payments), and foreign currency losses);

(6) dividends or other distributions in respect of all Disqualified Stock of the Parent and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Parent or a subsidiary of the Parent;

(7) the consolidated interest expense that was capitalized during such period;

(8) any interest on Indebtedness of another Person that is guaranteed by the Parent or any of its Restricted Subsidiaries or secured by a Lien on assets of the Parent or any of its Restricted Subsidiaries; and

(9) Pension Items.

"**Consolidated Leverage**" means the sum of the aggregate outstanding Indebtedness of the Parent and its Restricted Subsidiaries (excluding Hedging Obligations except to the extent provided in sub-clause (c) of the sixth paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*"), less cash and Cash Equivalents held by the Parent or any of its Restricted Subsidiaries, as of the date of determination. In respect of any applicable period, the exchange rate used to calculate Consolidated Leverage may, at the option of the Parent, be (i) the weighted average exchange rate for that period used by the Parent to calculate Consolidated EBITDA (as determined by the Parent); or (ii) the relevant prevailing exchange rate at close of business on the last day of that period (as determined by the Parent), *provided* that, where applicable, any amount of Indebtedness will be stated so as to take into account the hedging effect of any currency hedging entered into in respect of or by reference to that Indebtedness.

"**Consolidated Leverage Ratio**" means, as of any date of determination, the ratio of (x) the Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Parent are available; *provided*, *however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such Applicable Test Date or Applicable Reporting Date:

(1) the Parent or any Restricted Subsidiary has closed or disposed of any company, any business or site, or any group of assets constituting an operating unit of a business or site (any such disposition, a "**Sale**") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such Sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) the Parent or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business or site, or any group of assets constituting an operating unit of a business or site, or made a capital investment for the improvement or refurbishment of a site (any such Investment or acquisition, a "**Purchase**"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving

pro forma effect thereto on a full run-rate basis, as if such Purchase occurred on the first day of such period;

(3) the Parent or any Restricted Subsidiary has made or implemented a Specified Transaction or Group Initiative, including any such Specified Transaction or Group Initiative occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto on a full run-rate basis, including anticipated synergies and cost savings, as if such Specified Transaction or Group Initiative occurred and was fully implemented on the first day of such period;

(4) any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Parent or any of its Restricted Subsidiaries since the beginning of such period) will have made any Sale, Purchase, Specified Transaction or Group Initiative that would have required an adjustment pursuant to clause (1), (2) or (3) above if made by the Parent or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto on a full run-rate basis, including anticipated synergies and cost savings, as if such Sale, Purchase Specified Transaction or Group Initiative occurred and was fully implemented on the first day of such period; and

(5) since the beginning of such period, a transfer of shares of, or other transaction has occurred or is contractually committed with respect to, the Parent or any Restricted Subsidiary, that constitutes an event that is contemplated by the definition of "**Specified Change of Control Event**" (any such transaction, a "**Specified Change of Control Transaction**"), and solely for the purpose of making the determination pursuant to "**Specified Change of Control Event**," Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto (including anticipated synergies and expenses and cost savings expected to be obtained from the Specified Change of Control Transaction), as if such Specified Change of Control Transaction (including such synergies and expenses and cost savings) had occurred and was fully implemented on the first day of such period.

All Applicable Metrics described in this definition will be calculated as set forth under "*—Financial calculations*."

"**Consolidated Net Income**" means, for any period, the profit/(loss) for the financial period of the Parent and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (2) below, any profit/(loss) for the financial period of any Person if such Person is not a Restricted Subsidiary, except that the Parent's equity in the profit/(loss) for the financial period of any such Person will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents (x) actually distributed by such Person during such period to the Parent or a Restricted Subsidiary as a dividend or other distribution or return on investment and (y) only for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*," that could have been distributed, as reasonably determined by an Officer of the Parent (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under sub-clause (c)(i) of the first paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*," any profit/(loss) for the financial period of any Restricted Subsidiary (other than Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to or permitted under the Notes and/or the Indenture and the Revolving Facilities Agreement and (c) restrictions not prohibited by the covenant described under "*—Certain covenants—Limitation on restrictions on distributions from Restricted Subsidiaries*"), except that the Parent's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Parent or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to a Restricted Subsidiary,

to the limitation contained in this clause) even if encumbrances or restrictions to make distributions in cash or Cash Equivalents arise or exist by reason of applicable law or applicable rules, regulation or order;

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Parent or any Restricted Subsidiaries (including pursuant to any sale and leaseback transaction or sale and hire purchase transactions) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors or an Officer of the Parent);

(4) any extraordinary, exceptional, unusual, one-off, one-time or nonrecurring loss or charge or expense (including for the avoidance of doubt, any tax referable to any payments, dividends or other distributions made or declared intra-group) or any charges or reserves in respect of any restructuring, redundancy or severance expense or other costs related to the Transactions, in each case, as determined in good faith by the Board of Directors or an Officer of the Parent;

(5) at the election of the Parent with respect to any quarterly period, the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity-based awards and any non-cash deemed finance charges in respect of any Pension Items or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness, and any provisions in respect of working capital;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Parent or any Restricted Subsidiary owing to the Parent or any Restricted Subsidiary;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Parent and the Restricted Subsidiaries), as a result of any consummated acquisition, or the amortization or write-off of any amounts thereof;

(12) any goodwill or other intangible asset impairment, charge, amortization, expense or write-off, including debt issuance costs;

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

(14) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes;

(15) consolidated depreciation expense; and

(16) to the extent covered by insurance and actually reimbursed, or, so long as the Parent has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable insurer in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses with respect to business interruption.

"**Consolidated Senior Secured Leverage Ratio**" means the Consolidated Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness.

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**Credit Facility**" means, with respect to the Parent or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Revolving Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, other institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, supplemented, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended from time to time (whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or banks or other institutions or investors and whether provided under the Indenture or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee or guarantee agreement and any pledge agreement, debenture and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "**Credit Facility**" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Parent as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default; *provided* that any Default that results solely from the taking of an action that would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured prior to becoming an Event of Default.

"**Designated Non-Cash Consideration**" means the fair market value of non-cash consideration received by the Parent or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain covenants—Limitation on sales of assets and Subsidiary stock.*"

"**Designated Preference Shares**" means, with respect to the Parent or any Holding Entity, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Parent or a Subsidiary of the Parent or an employee stock ownership plan or trust established by the Parent or any such Subsidiary for the benefit of their employees to the extent funded by the Parent or such Subsidiary) and (b) that is designated as "**Designated Preference Shares**" pursuant to an Officer's Certificate of the Parent at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments.*"

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Parent or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided, however,* that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset disposition (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "*—Certain covenants—Limitation on Restricted Payments.*"

"**Equity Investors**" means TDR Capital, funds managed or advised by TDR Capital or any of their respective Affiliates, or any co-investment vehicle managed or advised by TDR Capital, funds managed or advised by TDR Capital or any of their respective Affiliates.

"**Equity Offering**" means a sale by the IPO Entity of (x) Capital Stock (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) other securities, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Excluded Amounts) of, or as Subordinated Shareholder Funding to, the IPO Entity or any of its Restricted Subsidiaries.

"**ERC**" means, for any date of calculation, the aggregate amount of estimated remaining gross collections projected to be received by the Parent and its Restricted Subsidiaries from all Portfolio Assets during the period of 84 months, as calculated by the Portfolio ERC Model, as of the last day of the month most recently ended prior to the date of calculation.

"**euro**" means the single currency of the participating member states of the European Monetary Union.

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Parent or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Board of Directors or an Officer of the Parent) on the date of such determination.

"**Euroclear**" means Euroclear Bank SA/NV or any successor securities clearing agency.

"**European Government Obligations**" means direct obligation of, or obligations guaranteed by, a country that is a member of the European Monetary Union on the Issue Date (other than Greece, Portugal, Italy or Cyprus), and the payment for which such country pledges its full faith and credit.

"**European Union**" means all members of the European Union as of the Issue Date.

"**Exchange**" means The International Stock Exchange and its successors and assigns.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Exchange Offer Memorandum**" means the exchange offer memorandum dated November 21, 2024 relating to the Exchange Offer.

"**Excluded Contribution**" means Net Cash Proceeds or property or assets received by the Parent as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or Excluded Amounts) of the Parent after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares or Excluded Amounts) of the Parent, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Parent.

"**Existing Indenture**" means the indenture dated as of November 8, 2021, governing the terms of the Existing Notes and entered into, among, *inter alios*, the Issuer, the Parent, and the Trustee, as amended and/or supplemented from time to time.

"**Existing Notes**" means, collectively, (i) the €640,000,000 aggregate principal amount of floating rate senior secured notes due 2027, (ii) €400,000,000 aggregate principal amount of 4.500% senior secured notes due 2026 and (iii) £350,000,000 aggregate principal amount of 6.000% senior secured notes due 2026, in each case, issued by the Issuer pursuant to the Existing Indenture.

"**fair market value**" may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Parent setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"**Finco**" means Sherwood Financing 2 Limited and its successors and assigns.

"**Fixed Charge Coverage Ratio**" means, for any period, the ratio of:

(a) Consolidated EBITDA; to

(b) Consolidated Financial Interest Expense;

provided that in calculating the Fixed Charge Coverage Ratio or any element thereof for any period, calculations will be made in good faith by the Board of Directors or an Officer of the Parent (including in the case of Sales, Purchases, Specified Transactions or Group Initiatives, any pro forma synergies and expenses and cost savings, including, without limitation, as a result of, or that would result from any such Sale, Purchase, Specified Transaction or Group Initiative, in the good faith judgment of the Board of Directors or an Officer of the Parent (regardless of whether these synergies and expenses and cost savings could then be reflected in pro forma financial statements to the extent prepared)); *provided*, *further*, without limiting the application of the previous proviso, that for the purposes of calculating Consolidated EBITDA or Consolidated Financial Interest Expense for such period, if, as of such date of determination:

(1) the Parent or any Restricted Subsidiary has made a Sale or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is such a Sale, (a) Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such Sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period; and (b) the Consolidated Financial Interest Expense for such period shall be reduced by an amount equal to the Consolidated Financial Interest Expense directly attributable to any Indebtedness of the Parent or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Parent and the continuing Restricted Subsidiaries in connection with such Sale for such same period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Financial Interest Expense for

such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Parent and the continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale);

(2) the Parent or any Restricted Subsidiary (by merger or otherwise) has made a Purchase, including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving pro forma effect thereto on a full run-rate basis, as if such Purchase occurred on the first day of such period;

(3) the Parent or any Restricted Subsidiary has made or implemented a Specified Transaction or Group Initiative, including any such Specified Transaction or Group Initiative occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving pro forma effect thereto on a full run-rate basis, including anticipated synergies and cost savings, as if such Specified Transaction or Group Initiative occurred on the first day of such period; and

(4) any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Parent or any of its Restricted Subsidiaries since the beginning of such period) will have made any Sale, Purchase, Specified Transaction or Group Initiative that would have required an adjustment pursuant to clauses (1), (2) or (3) above if made by the Parent or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving pro forma effect thereto on a full run-rate basis, as if such Sale, Purchase Specified Transaction or Group Initiative occurred on the first day of such period.

If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Financial Interest Expense, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Leverage Ratio and Consolidated Net Income, to the extent applicable and without duplication, (i) calculations will be as determined in good faith by a responsible financial or accounting officer of the Parent (including in respect of anticipated synergies and expense and cost reductions, and as though the full effect of synergies and expense and cost reductions were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Parent) of any Group Initiatives that have been initiated, implemented or are reasonably expected to occur within the next 24 months following the date of such calculation by the Parent or its Restricted Subsidiaries during the relevant period or in connection with an event specified in clauses (1), (2) or (3) above as though such Group Initiative had been fully implemented on the first day of the relevant period); (ii) in determining the amount of Indebtedness outstanding on any date of determination, pro forma effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period, (iii) calculations shall also give pro forma effect to any Specified Transaction that has occurred since the beginning of such period but which has not yet been fully reflected in the relevant period (as determined and calculated by a responsible financial or accounting officer of the Parent), (iv) calculations shall exclude any non-recurring costs and other expenses arising directly or indirectly as a consequence of any Sale or Purchase or Specified Transaction and/or the implementation of any Group Initiative and (v) "*determined on a consolidated basis on the basis of IFRS*," "*determined on the basis of IFRS*" and similar provisions shall at the election of the Parent allow for calculation to be made on the basis of presentation of the financial statements provided pursuant to the terms of the covenant described under "*—Certain covenants—Reports*."

"Future Fund Entities" means one or more general partners and/or managers of future funds to be raised by ACML or its Subsidiaries, each to be identified and designated as such by an Officer's Certificate under the Indenture, or any successor entities thereto, and including any separately managed accounts associated therewith.

"**Future Fund Compensation Arrangements**" means any agreements between the entity that will constitute one or more Future Fund Entities and/or ACML, on the one hand, and the Parent and/or any of its Restricted Subsidiaries, on the other, relating to the payment or allocation of management fees or carried interest in relation to a Future Fund Entity.

"**Governmental Authority**" means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange and any supra-national bodies such as the European Union or the European Central Bank.

"**Group**" means the Parent and its Restricted Subsidiaries (or the IPO Pushdown Entity and its Restricted Subsidiaries from the Pushdown Date).

"**Group Initiative**" means any restructuring, changes in operating model, operating expense reduction, operating improvement, cost savings programs, procurement initiatives or, in each case, other similar initiative.

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "**Guarantee**" will not include endorsements for collection or deposit in the ordinary course of business. The term "**Guarantee**" used as a verb has a corresponding meaning.

"**Guarantor**" means the Parent and any Restricted Subsidiary that Guarantees the Notes.

"**Hedging Agreement**" means any Interest Rate Agreement, Currency Agreement, Commodity Hedging Agreement or other agreement entered into by the Parent or any of its Subsidiaries to offset, balance or manage risks related to any businesses, services or activities engaged in by the Parent or any of its Subsidiaries or any Associates in the ordinary course.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Hedging Agreement.

"**Holder**" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the nominee of the common depositary for Euroclear or Clearstream.

"**Holding Company**" means, in relation to any Person, any Person of which it is a Subsidiary.

"**Holding Entity**" means any Person of which the Parent at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Holding Entity.

"**IFRS**" means the International Financial Reporting Standards (formerly, International Accounting Standards) endorsed from time to time by the European Union or the United Kingdom or any variation thereof with which the Parent or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date, the Parent may make an irrevocable election to establish that "IFRS" shall (except for the purposes of the covenant described under "*—Certain covenants—Reports*") mean IFRS as in effect on a date that is on or prior to the date of such election. Except as otherwise will be set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS.

"**Incur**" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "**Incurred**" and "**Incurrence**" have meanings correlative to the foregoing, and any Indebtedness pursuant to any revolving credit or similar facility shall only be "**Incurred**" at the time any funds are borrowed thereunder.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds (other than a performance or advance payment bond or similar instrument), debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence, in each case only to the extent issued by a bank or financial institution and *provided* that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto (or if the relevant supplier customarily allows a period for payment, if later the date 180 days after the expiry of that period), for the avoidance of doubt excluding where the payment deferral results from the delayed or non-satisfaction of contract terms by the supplier, from a dispute carried out in good faith or from contract terms establishing payment schedules tied to total or partial contract completion and/or to the results of operational testing procedures and excluding earn-outs and other contingent consideration arrangements;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Parent) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (3) or (8) above) shall be (a) in the case of any Indebtedness issued with original issue discount, the amount in respect thereof that would appear on the balance sheet (excluding any notes thereto) of such Person in accordance with IFRS and (b) the principal amount of the Indebtedness, in the case of any other Indebtedness. Except as provided under clauses (7) and (8) above, "Indebtedness" of a Person shall not include any Indebtedness of any other Person, regardless of whether it would be deemed under IFRS to be consolidated with the Indebtedness of the first Person.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Subordinated Shareholder Funding;

(ii) any lease, concession or license of property (or guarantee thereof) of a type which would have been previously categorized as an operating lease prior to the adoption of IFRS 16 or any deposit made in relation thereto;

(iii) any asset retirement obligations;

(iv) any prepayments or deposits or grants received from clients or customers or any Governmental Authority, in each case, in the ordinary course of business;

(v) any income Tax or other payables or obligations under any Tax Sharing Agreement or obligations under any profit sharing agreement;

(vi) any license, permit or other approval (or guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business;

(vii) Contingent Obligations Incurred in the ordinary course of business and unpaid purchase price for Underlying Portfolio Assets, acquired either directly or as a result of any Rights to Collect or any Rights to Participate;

(viii) trade credit on normal commercial terms;

(ix) in connection with the purchase by the Parent or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(x) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations or any bonds in relation thereto, Pension Items or similar claims, obligations or contributions or social security or wage Taxes;

(xi) obligations of any Person for the reimbursements of any obligor in relation to any confirming services, reverse factoring services and commercial discount lines in the ordinary course of business;

(xii) obligations of any Person for the reimbursement of any obligor on any letter of credit, banker's acceptance, performance bond, advance payment bonds, surety bonds, completion or performance guarantees or similar transactions, to the extent that such letters, bonds, guarantees or similar transactions are not drawn upon or, if and to the extent drawn upon, are honored in accordance with their terms and if to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond; or

(xiii) Indebtedness of a Trust Management SPV where the proceeds of such Indebtedness are used to finance the purchase of assets to be held in such trust; *provided* that the Incurrence of such Indebtedness is without recourse to and contains no obligation on the Parent or any other Restricted Subsidiary or any of their assets.

For the avoidance of doubt, where the amount of Indebtedness falls to be calculated or where the existence (or otherwise) of any Indebtedness is to be established, unless the context requires otherwise (as determined by the Parent in good faith), indebtedness owed by the Parent or any Restricted Subsidiary to the Parent or any other Restricted Subsidiary shall not be taken into account.

"**Independent Financial Advisor**" means an investment banking or accounting firm or any third party appraiser; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Parent.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of the IPO Entity following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"**Intercreditor Agreement**" means the intercreditor agreement originally entered into on October 6, 2021, among, *inter alios*, the Parent, Finco, Bidco, Midco, the Issuer and the Security Agent, to which the Trustee will accede on the Issue Date, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"**Interest Rate Agreement**" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"**Investment**" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any purchase of Underlying Portfolio Assets, any Rights to Collect or any Rights to Participate, and excluding any debt or extension of credit represented by a bank deposit (other than a time deposit) and any loans or credit arising as a result of the operation of cash pooling, net balance or similar arrangements) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Parent or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Parent or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided for in the second paragraph and the final paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments.*"

For purposes of "*—Certain covenants—Limitation on Restricted Payments*":

(1) "**Investment**" will include the portion (proportionate to the Parent's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Parent will be deemed to continue to have a permanent "**Investment**" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Parent's "**Investment**" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Parent's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Parent.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Parent's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Securities**" means:

(1) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction or any agency or instrumentality thereof (other than Cash Equivalents);

(2) debt securities or debt instruments with a rating of "*A–*" or higher from S&P or "*A3*" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Parent and its Subsidiaries; and

(3) investments in any fund that invests exclusively in investments of the type described in clauses (1) and (2) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"**Investment Grade Status**" shall occur when the Notes receive both of the following:

(1) a rating of "*BBB–*" or higher from S&P; and

(2) a rating of "*Baa3*" or higher from Moody's;

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"**IPO Entity**" means the Parent, any Holding Entity or any Successor Company of the Parent or any Holding Entity.

"**IPO Event**" means the occurrence of an Initial Public Offering or a Listing.

"**Issue Date**" or the "**Settlement Date**" means the date of the first issuance of the Notes under the Indenture, which is expected to be December 11, 2024.

"**Issuer**" means Sherwood Financing plc and its successors and assigns.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"**Listing**" means a listing of all or any part of the share capital of the Parent or any Subsidiary of the Parent on any recognized investment exchange (as that term is used in the Financial Services and Markets Act 2000) or any other sale or issue by way of flotation or public offering in relation to the Parent or any such Subsidiary of the Parent in any jurisdiction or country.

"**Listing Agent**" means the agent for the Issuer in respect of the listing of the Notes on the Official List of the Exchange as the Issuer may appoint.

"**Management Advances**" means any loans, advances or other payments made to, or guarantees with respect to loans, advances or other payments made to, any Management Investors:

(1) (i) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (ii) for purposes of funding, directly or indirectly, including through trusts or holding entities, any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Parent, its Subsidiaries or any Holding Entity;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding the greater of £3 million and 1% of Consolidated EBITDA in the aggregate outstanding at any time.

"**Management Investors**" means the current, former or future officers, directors, employees and other members of the management of or consultants to any Holding Entity, the Parent or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Parent, any Restricted Subsidiary or any Holding Entity.

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend (or if greater, the initial trading price of such shares on the date of the pricing of the IPO).

"**MEP**" means any management equity plan, employee benefit scheme, incentive scheme or other similar or equivalent arrangement implemented or to be implemented.

"**MEP Payment**" means any payment or transaction which is, or which is to be made, entered into or used directly or indirectly (or to facilitate any such step or payment):

(1) to make payment to a member of any MEP (including payments to members leaving any MEP) or any trust or other person in respect of any MEP, incentive scheme or similar arrangement or pay any costs and expenses properly incurred in the establishing and maintaining of any MEP, incentive scheme or similar arrangement or to facilitate any step or payment relating to any MEP; and/or

(2) for repayment or refinancing of amounts outstanding under any loan made in connection with an MEP, incentive scheme or similar arrangement or capitalization of such loans.

"**Midco**" means Sherwood Midco Limited and its successors and assigns.

"**Moody's**" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Nationally Recognized Statistical Rating Organization**" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which are required by applicable law to be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Holding Entity, the Parent or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Parent or any Restricted Subsidiary after such Asset Disposition.

"**Net Cash Proceeds**," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credits or deductions and any Tax Sharing Agreements).

"**Note Documents**" means the Notes (including Additional Notes), the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Documents.

"**Officer**" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "**Officer**" for the purposes of the Indenture by the Board of Directors of such Person.

"**Officer's Certificate**" means, with respect to any Person, a certificate signed by one Officer of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Parent or its Subsidiaries.

"**Outstanding Existing Notes**" means the Existing Notes outstanding upon the completion of the Transactions.

"**Parent**" means Sherwood Parentco Limited and its successors and assigns.

"**Parent Expenses**" means:

(1) costs (including all professional fees and expenses) Incurred by any Holding Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Parent or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Holding Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Parent and its Subsidiaries;

(3) obligations of any Holding Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Parent and its Subsidiaries;

(4) fees and expenses payable by any Holding Entity;

(5) (a) general corporate overhead expenses, including professional fees and expenses and other operational expenses of any Holding Entity or any Equity Investor or any of its Affiliates related to the ownership or operation of the business of the Parent or any of its Restricted Subsidiaries and Equity Investor or any of its Affiliates (including, without limitation, accounting, legal, corporate reporting, and administrative expenses as well as payments made pursuant to operating partner arrangements or secondment, employment or similar agreements entered into between the Parent and/or any of its Restricted Subsidiaries and/or any Holding Entity and any Equity Investor or any of its Affiliates or any employee thereof) or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, of the Parent by any Holding Entity;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Parent and its Subsidiaries in an amount not to exceed the greater of £3 million and 1% of Consolidated EBITDA in any fiscal year;

(7) expenses Incurred by any Holding Entity in connection with any Public Offering, IPO Event or other sale of Capital Stock or Indebtedness:

(x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Parent or a Restricted Subsidiary,

(y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed, or

(z) otherwise on an interim basis prior to completion of such offering so long as any Holding Entity shall cause the amount of such expenses to be repaid to the Parent or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(8) amounts to enable a Holding Entity of the Parent (or any other company which acts as the host of any MEP, incentive scheme or similar arrangement) to:

(i) pay Taxes, duties or similar amounts;

(ii) pay fees, expenses and other costs incurred in acting as, or maintaining its existence as, a holding company of the Parent and its Subsidiaries and/or host of any MEP, incentive scheme or similar arrangement or arising by operation of law or in the ordinary course of administration of its business as a holding company of the Parent and its Subsidiaries (including remuneration payable to employees, directors and officers); and/or

(iii) meet substance requirements for Tax purposes.

"**Pari Passu Indebtedness**" means Indebtedness of the Issuer or any Guarantor if such Indebtedness or Guarantee, as the case may be, ranks equally in right of payment to the Notes or the Note Guarantees, as the case may be, and which, in each case, is secured by Liens on the Collateral which Liens (or recoveries upon enforcement from such Liens) rank equally with those of the Notes.

"**Paying Agent**" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

“**Pension Items**” means any costs, charges or liabilities, including contributions, made in respect of any pension funds or post-retirement benefit schemes, other than administration costs.

“**Permissible Jurisdiction**” means any state, commonwealth or territory of the United States or the District of Columbia, Canada or any province of Canada, Japan, any member state of the European Union as of the Issue Date, United Kingdom, Switzerland, Norway, the Channel Islands or any political subdivision, taxing authority, agency or instrumentality of any such state, commonwealth, territory, union, country or member state and also, for the purposes of the definitions of “**Cash Equivalents**” and “**Temporary Cash Investments**” only, any jurisdiction in which the Parent or a Restricted Subsidiary does business as of the Issue Date.

“**Permitted Asset Swap**” means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Parent or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under “*—Certain covenants—Limitation on sales of assets and Subsidiary stock.*”

“**Permitted Collateral Liens**” means

(A) Liens on the Collateral that are (i) “**Permitted Liens**” or (ii) Liens on bank accounts granted to cash management banks securing cash management obligations;

(B) Liens on the Collateral to secure Indebtedness of the Parent or a Restricted Subsidiary that is permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a) and (4)(c) (if the original Indebtedness was so secured), (5)(i) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (5)(ii), (6), (7), (11), (12) and (13) of the second paragraph of the covenant described under “*—Certain covenants—Limitation on Indebtedness*;” *provided*, *however*, in the case of Liens on Collateral to secure the Indebtedness of the Parent or a Restricted Subsidiary that is permitted to be Incurred under clause (5)(i) or (5)(ii) of the second paragraph of the covenant described under “*—Certain covenants—Limitation on Indebtedness*,” after giving pro forma effect to such transaction, the Consolidated Senior Secured Leverage Ratio of the Parent would have been less than 4.25 to 1.0 or no higher than it was immediately prior to giving effect to the transaction;

(C) Liens on the Collateral securing Indebtedness Incurred under the first paragraph of the covenant described under “*—Certain covenants—Limitation on Indebtedness*,” *provided* that, in the case of this clause (C), after giving pro forma effect to such Incurrence and the use of proceeds therefrom, the Consolidated Senior Secured Leverage Ratio of the Parent would have been less than 4.25 to 1.0; or

(D) Liens on Collateral securing Refinancing Indebtedness in respect of any Indebtedness secured pursuant to the foregoing clauses (A), (B) and (C) and this clause (D);

provided that any such Liens securing Indebtedness pursuant to (x) the foregoing clauses (B), (C) or (D) rank equal or junior to Liens on the Collateral securing the Notes after giving effect to any recovery of proceeds under any intercreditor or priority agreement (except that a Lien in favor of Indebtedness Incurred under clauses (1), (6) and (13) of the second paragraph of the covenant described under “*—Certain covenants—Limitation on Indebtedness*” may have super priority to the Holders, as provided in the Intercreditor Agreement subject always to the terms of the Indenture), and (y) the foregoing clause (D) of this definition, which constitutes Refinancing Indebtedness in respect of Indebtedness Incurred under the first paragraph of the covenant described under “*—Certain covenants—Limitation on Indebtedness*” or sub-clause (5)(i) of the second paragraph of the covenant described under “*—Certain covenants—Limitation on Indebtedness*” or sub-clause (5)(ii) of the second paragraph of the covenant described under “*—Certain covenants—Limitation on Indebtedness*,” rank equal or junior to the Liens on Collateral securing such Indebtedness being refinanced after giving effect to any recovery of proceeds under any intercreditor or priority agreement; and

(E) Liens on the Collateral that secure Indebtedness on a basis junior to the Notes; *provided* that the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional Intercreditor Agreement.

To the extent that Indebtedness relating to an instrument or agreement is permitted to be secured by a Permitted Collateral Lien, other associated obligations under such instrument or agreement not themselves constituting Indebtedness may also be secured by such Permitted Collateral Lien.

"**Permitted Holders**" means, collectively, (1) the Equity Investors and any Affiliate or Related Person of any of them, or any co-investor investing with the Equity Investor (provided that any direct or indirect voting rights of any such co-investor in respect of the Parent and its Restricted Subsidiaries are, directly or indirectly, exercisable by the Equity Investor), (2) any one or more Persons whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, (3) Senior Management, (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Holding Entity or the Parent, acting in such capacity and (5) any "group" (as such term is defined under section 13(d)(3) of the Exchange Act) of which a Permitted Holder (without giving effect to this sub-clause (5)) is a member and where such Permitted Holder is the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date) of more than 50% of the Capital Stock of which such group is a "beneficial owner" (as so defined).

"**Permitted Investment**" means (in each case, by the Parent or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Parent or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, or is liquidated into the Parent or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Parent or any Restricted Subsidiary created or acquired in the ordinary course of business, including without limitation deferred receivables representing work in progress created in the ordinary course of business, and Investments in inventory, Rights to Collect and Rights to Participate and Underlying Portfolio Assets;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances and MEP Payments;

(7) Investments received in settlement of debts created in the ordinary course of business and owing to the Parent or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "—*Certain covenants—Limitation on sales of assets and Subsidiary stock*;"

(9) Investments in existence on, or made pursuant to contractual commitments in existence on, the Issue Date (or, in the case of any Person which becomes a Restricted Subsidiary after the Issue Date, any Investments in existence on, or to which that Person is contractually committed as at, the date on which it becomes a Restricted Subsidiary);

(10) Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "—*Certain covenants—Limitation on Indebtedness*;"

(11) Investments, the outstanding principal amount of which, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding (measured as of the time of original Investment

without giving effect to appreciation or to accretion or capitalization of interest), in an aggregate amount at the time of such Investment not to exceed the greater of £80 million and 27.5% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "**Permitted Investments**" and not this clause;

(12) Investments in negotiable instruments held for collection and pledges or deposits with respect to workers' compensation, leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "**Permitted Liens**" or made in connection with Liens permitted under the covenant described under "*—Certain covenants—Limitation on Liens*;"

(13) any Investment to the extent made, directly or indirectly, using Capital Stock of the Parent (other than Disqualified Stock) or Subordinated Shareholder Funding or Capital Stock of any Holding Entity as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or leases or agreements in respect of vehicles, information technology and other electronic equipment and point of sale equipment or network or related (or similar or replacement) assets or licenses or leases of intellectual property, in each case, in the ordinary course of business;

(16) guarantees, keepwells and similar arrangements not prohibited by the covenant described under "*—Certain covenants—Limitation on Indebtedness*" (including payments made pursuant to or to fund any amount that may be required by any such arrangement);

(17) Investments in Associates or Unrestricted Subsidiaries in an aggregate amount when taken together with all other Investments made pursuant to this clause (17) that are at the time outstanding not to exceed the greater of £25 million and 7.5% of Consolidated EBITDA;

(18) Investments in the Notes; and

(19) Investments in the Outstanding Existing Notes.

"**Permitted Liens**" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes not yet delinquent or which are being contested in good faith by appropriate proceedings;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of such Person in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements and any Liens arising in connection with any swapping of logistics capabilities), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, utility agreements, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Parent and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties (taken as a whole) or materially impair their use in the operation of the business of the Parent and its Restricted Subsidiaries (taken as a whole);

(7) Liens securing Hedging Obligations permitted under the Indenture, or over assets or property of any Restricted Subsidiary which is not required to give a Guarantee pursuant to the Agreed Security Principles and which Lien is in favor of obligations under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Parent or any Restricted Subsidiary for the purpose of securing Indebtedness Incurred to finance or refinance Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Parent or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property or proceeds of such property (including rents), as well as the Capital Stock or assets of any special purpose vehicle that holds no material assets (other than any of the foregoing or those associated with such assets, the financing of such assets, or their deployment);

(11) Liens arising by virtue of any statutory or common law provisions or standard terms and procedures relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts, securities accounts or other funds maintained with a depositary or financial institution or clearing systems (including Euroclear or Clearstream);

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Parent and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Parent or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Parent or any Restricted Subsidiary); *provided, however,* that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided further,* that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accessions, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Parent or any Restricted Subsidiary securing Indebtedness or other obligations of the Parent or such Restricted Subsidiary owing to the Parent or a Restricted Subsidiary and Liens in favor of the Parent or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Parent or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any Lien, encumbrance or other restriction (including put and call arrangements) with respect to Capital Stock of, or other ownership interests in, any joint venture, minority interest arrangement or similar investment or arrangement (and/or related assets, including shares or other ownership interests in any special purpose vehicle holding any such assets) pursuant to any joint venture, minority interest or other similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on cash accounts securing Indebtedness Incurred under clause (10)(C) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*;"

(22) (i) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose and (ii) Liens on cash or government securities set aside for the purpose of defeasing, repaying, repurchasing or retiring Indebtedness;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities or pursuant to any derivative or hedging transaction, or liens over cash accounts securing cash pooling arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods or otherwise in connection with any leasing (including sale and leaseback transactions and sale and hire purchase transactions), vendor financing or similar arrangements;

(25) Liens; *provided* that the aggregate principal amount of Indebtedness (excluding capitalized interest) secured by such Liens in aggregate does not at any one time exceed the greater of £18 million and 10% of Consolidated EBITDA at any one time outstanding;

(26) Permitted Collateral Liens;

(27) (i) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary, (ii) Liens securing Permitted Purchase Obligations, provided that any such Lien is only over the assets and Capital Stock of the relevant Permitted Purchase Obligations SPV, (iii) Liens on Rights to Collect, performing accounts, sub-performing accounts, charged-off accounts, cash and bank accounts, loans, receivables, mortgages, debentures, claims or other similar assets or instruments held on trust for third parties; and (iv) Liens on Trust Management Assets, provided such liens do not secure any Indebtedness of the Parent or any Restricted Subsidiary other than a Trust Management SPV;

(28) [Reserved];

(29) Liens securing Indebtedness permitted to be Incurred pursuant to clause (1) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*;"

(30) any cash collateral arrangement securing the obligations of an ancillary lender, landlord, hedging counterparty or regulator in respect of ancillary facilities, leases, Hedging Obligations or capital, surety or other guarantee requirements under applicable regulations of the Parent or its Restricted Subsidiaries;

(31) any Liens granted in favor of creditors so as to implement a Permitted Reorganization; and

(32) any Liens arising under or pursuant to the general terms and conditions (*algemene bankvoorwaarden*) of any member of the Dutch Bankers' Association (*Nederlandse Vereniging van Banken*) and/or any similar term applied by a financial institution in the Netherlands pursuant to its general terms and conditions.

"**Permitted Purchase Obligations**" means any Indebtedness Incurred by a Permitted Purchase Obligations SPV to finance or refinance the acquisition of Portfolio Assets purchased by such Permitted Purchase Obligations SPV, whether directly or through the acquisition of the Capital Stock of any Person owning such Portfolio Assets or otherwise, in an aggregate principal amount not exceeding at the time of the Incurrence of such Permitted Purchase Obligations, together with any other Indebtedness Incurred pursuant to clause 4(e) of the second paragraph of the ''*—Limitation on Indebtedness*'' covenant and then outstanding, 20% of the ERC of the Parent and its Restricted Subsidiaries, calculated in good faith on a pro forma basis by management as of the date of purchase of such Portfolio Assets, provided that:

(1) except for the granting of a Lien described in clause (27)(ii) of the definition of "Permitted Liens," no portion of any Permitted Purchase Obligations or any other obligations (contingent or otherwise) of the applicable Permitted Purchase Obligations SPV (i) is guaranteed by the Parent or any other Restricted Subsidiary, (ii) is recourse to or obligates the Parent or any other Restricted Subsidiary in any way, or (iii) subjects any property or asset of the Parent or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof,

(2) neither the Parent nor any other Restricted Subsidiary has any obligation to maintain or preserve the applicable Permitted Purchase Obligations SPV's financial condition or cause such entity to achieve certain levels of operating results, and

(3) such Permitted Purchase Obligation is secured (if at all) only over the assets of, and Capital Stock of, the relevant Permitted Purchase Obligations SPV.

"**Permitted Purchase Obligations SPV**" means a Restricted Subsidiary (i) which engages in no activities other than the acquisition of Portfolio Assets, the Incurrence of Permitted Purchase Obligations to finance such acquisition and any business or activities incidental or related to such business and is set up in connection with the Incurrence of Permitted Purchase Obligations, (ii) to which the Parent or any Restricted Subsidiary contributes, loans or otherwise transfers no amounts in excess of amounts required, after giving effect to the Incurrence of Permitted Purchase Obligations, to consummate the relevant purchase of assets and amounts required for incidental expenses, costs and fees for the set-up and continuing operations of such Permitted Purchase Obligations SPV, and (iii) all the Capital Stock of which is held by a Restricted Subsidiary which holds no other material assets.

"**Permitted Reorganization**" means:

(1) an amalgamation, merger, transfer, consolidation, liquidation, dissolution or corporate reconstruction (each a "**Reorganization**") on a solvent basis of a member of the Group to the extent permitted under the Indenture where:

  (a) all of the business and assets of that member of the Group remain within the Group (and if that member of the Group was the Issuer or a Guarantor immediately prior to such reorganization being implemented, all of the business and assets of that member are retained by the Issuer or one or more Guarantors);

  (b) if it or its assets or the shares in it were subject to the Transaction Security Documents immediately prior to such Reorganization, the Security Agent will enjoy substantially the same or equivalent security over the same assets or, as the case may be, over it or the shares in it (or in each case over the shares of its successor) or, where a member of the Group is being dissolved or liquidated, its assets (after payment of creditors) are passed up to its Holding Company (subject to such Holding Company granting the same or equivalent security over the relevant assets in favor of the Security Agent); and

(c) in the case of an amalgamation, merger or corporate reconstruction, if such member of the Group is the Issuer or a Guarantor, the surviving entity is or becomes the Issuer or a Guarantor to at least the same extent as such first mentioned the Issuer or a Guarantor immediately prior to the said amalgamation, merger or corporate reconstruction; or

(2) any Reorganization permitted under the Indenture.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Portfolio Assets**" means all (a) Underlying Portfolio Assets owned directly by the Parent and its Restricted Subsidiaries (whether such direct ownership is in whole or in part), (b) Underlying Portfolio Assets subject to Rights to Collect and (c) Underlying Portfolio Assets subject to Rights to Participate.

"**Portfolio ERC Model**" means the models and methodologies that the Parent, its servicers, financial partners or investment partners use to calculate the value of its ERC and those of its Subsidiaries, consistently with its most recent audited financial statements as of such date of determination.

"**Preferred Stock**," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Public Debt**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional and other investors, in each case, that are not Affiliates of the Parent, in accordance with Section 4(a)(2) of and/or Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"**Public Market**" means any time after:

(1) an Equity Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of the IPO Entity has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Parent as of the Issue Date.

"**Public Offering**" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar Persons).

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"**refinance**" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "**refinances**," "**refinanced**" and "**refinancing**" as used for any purpose in the Indenture shall have a correlative meaning.

"**Refinancing Indebtedness**" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness (or unutilized commitment in respect of Indebtedness that could have otherwise been incurred in compliance with the Indenture) existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of the Parent that refinances Indebtedness (or unutilized commitment in respect of Indebtedness) of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness (or unutilized commitment in respect of Indebtedness) of the Parent or a Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness (or unutilized commitment in respect of Indebtedness) being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated in right of payment to the Notes or the Note Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Note Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Parent or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and *provided*, *further*, that the provisions of clause (3) above would not operate to preclude the refinancing of indebtedness with Indebtedness that is secured with a super priority status (or other preferential security status) if such security is otherwise permitted pursuant to the Indenture.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"**Related Person**" with respect to any Equity Investor, means:

(1) any controlling equity holder or Subsidiary of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) in the case of the Equity Investors any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"**Related Taxes**" means:

(1) any Taxes including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Holding Entity by virtue of its:

    (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Parent or any of the Parent's Subsidiaries);

    (b) issuing or holding Subordinated Shareholder Funding;

    (c) being a Holding Entity, directly or indirectly, of the Parent or any of the Parent's Subsidiaries;

    (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Parent or any of the Parent's Subsidiaries; or

(e) having made any payment in respect to any of the items for which the Parent is permitted to make payments to any Holding Entity pursuant to "*—Certain covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Parent is a member of a group filing a consolidated or combined tax return with any Holding Entity or party to a Tax Sharing Agreement, any consolidated or combined Taxes measured by income for which such Holding Entity is liable up to an amount not to exceed, with respect to such Taxes, the amount of any such Taxes that the Parent and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Parent and its Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Parent and its Subsidiaries; *provided* that distributions shall be permitted in respect of the income of an Unrestricted Subsidiary only to the extent such Unrestricted Subsidiary distributed cash for such purpose to the Parent or its Restricted Subsidiaries.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Parent other than an Unrestricted Subsidiary.

"**Reversion Date**" means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

"**Revolving Facilities**" means one or more facilities made available under the Revolving Facilities Agreement.

"**Revolving Facilities Agreement**" means the revolving facilities agreement to be dated on or about the Issue Date, entered into among, *inter alios*, the Parent and the Security Agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"**Rights to Collect**" means the Parent's or any Restricted Subsidiary's entitlement to collect and retain amounts generated by, or otherwise related to, Underlying Portfolio Assets in circumstances where such Underlying Portfolio Assets are owned by a Person that is not the Parent or one of its Restricted Subsidiaries and such Person is unable or unwilling to dispose of the relevant Underlying Portfolio Asset to the Parent or a Restricted Subsidiary.

"**Rights to Participate**" means the rights to receive amounts generated by, or otherwise related to, Underlying Portfolio Assets owned by Persons other than the Parent or one of its Restricted Subsidiaries, which amounts are payable to the Parent or a Restricted Subsidiary under instruments, participations or sub-participations, total return or pass-through contracts, partnership, management fee, carry or equity interests, or any other similar arrangements.

"**S&P**" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Security Agent**" means GLAS Trust Corporation Limited acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

"**Senior Indebtedness**" means any Indebtedness of the Issuer or any Guarantor that ranks at least *pari passu* in right of payment with the Notes and is not secured by a Lien.

"**Senior Management**" means the officers, directors, and other current or former members of senior management of the Parent or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Parent or any Holding Entity.

"**Senior Secured Indebtedness**" means, with respect to any Person as of any date of determination, any Indebtedness that is Incurred under the first or second paragraphs of the covenant described under "*—Certain* *covenants—Limitation on Indebtedness*," in each case, secured by a Lien on the Collateral that is at least *pari passu* with the Liens securing the Notes after giving effect to any recovery of proceeds under any intercreditor or priority agreement.

"**Significant Subsidiary**" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Parent's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the Total Assets of the Parent and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Parent's and its Restricted Subsidiaries' proportionate share of the Total Assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the Total Assets of the Parent and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Parent's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Parent and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"**Similar Business**" means (a) any businesses, services or activities engaged in by the Parent or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Parent or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Specified Change of Control Event**" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that the Consolidated Leverage Ratio would have been less than 3.0 to 1.0 immediately prior to the occurrence of such event and immediately thereafter and giving pro forma effect thereto. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"**Specified Transaction**" means, with respect to any period, any Investment, capital expenditure, disposal, Incurrence of Indebtedness, refinancing, prepayment or repayment of Indebtedness, Restricted Payment, Subsidiary designation, restructuring, other strategic initiative or other action (including, for the avoidance of doubt, the purchase of new loan portfolios, the entry into new servicing contracts, the entry into any new contractual arrangement, and the closing of any fund) of the Parent or any Restricted Subsidiary (including for this purpose any Person that has become a Restricted Subsidiary or was merged or otherwise combined with or into the Parent or any Restricted Subsidiary), in each case, that is elected by the Parent to be treated as such.

"**Stated Maturity**" means, with respect to any security, loan or financial instrument the date specified in such security, loan or financial instrument as the fixed date on which the payment of principal of such security, loan or financial instrument is due and payable, including pursuant to any mandatory redemption provision, but shall not include any Contingent Obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Sterling Equivalent**" means, with respect to any monetary amount in a currency other than pound sterling, at any time of determination thereof by the Parent or the Trustee, the amount of pound sterling obtained by converting such currency other than pound sterling involved in such computation into pound sterling at the spot rate for the purchase of pound sterling with the applicable currency other than pound sterling as published in The Financial Times in the "*Currency Rates*" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Board of Directors or an Officer of the Parent) on the date of such determination.

"**Subordinated Indebtedness**" means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes and any Guarantee pursuant to a written agreement (which, for the avoidance of doubt, will not include the Notes or any Pari Passu Indebtedness and, for the purposes of the Indenture, Indebtedness shall not be considered subordinated in right of payment solely because it is unsecured, or secured on a junior basis to or entitled to proceeds from security enforcement after, other Indebtedness).

"**Subordinated Shareholder Funding**" means, collectively, (i) the Parent's existing preference shares and shareholder loans as of the Issue Date, (ii) any funds provided to the Parent by any Holding Entity, any Affiliate of any Holding Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Holding Entity or a Permitted Holder, or (iii) any investment by a Management Investor pursuant to an MEP, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding, in each case:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Parent or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six months following the Stated Maturity of the Notes is restricted by the provisions of the Indenture as a "*Restricted Payment*;"

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Parent or any of its Subsidiaries; and

(5) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

"**Subsidiary**" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof (but in each case, unless the Parent elects otherwise, disregarding ownership or voting interests consisting of Rights to Collect or Rights to Participate); or

(2) any partnership, joint venture, limited liability company or similar entity of which:

   (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise (but in each case, unless the Parent elects otherwise, disregarding ownership or voting interests consisting of Rights to Collect or Rights to Participate); and

   (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Successor Company**" means, with respect to any Person (other than a Holding Entity), the resulting, surviving or transferee Person and, with respect to a Holding Entity, means a Successor Holding Company.

"**Successor Holding Company**" means, with respect to a Holding Entity, any other Person of which more than 50% of the total voting power of the Voting Stock, at the time such Holding Entity becomes a Subsidiary of such other Person, is "beneficially owned" (as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date)) by one or more other Persons that, immediately prior to such Holding Entity becoming a Subsidiary of such other Person, "beneficially owned" more than 50% of the total voting power of the Voting Stock of such Holding Entity.

"**T2**" means the trans-European automated real time gross settlement express transfer payment system.

"**Tax Sharing Agreement**" means any fiscal unity arising under relevant Tax laws, and any Tax sharing or profit and loss pooling, tax loss transfer or other similar or equivalent agreement with customary or arm's-length terms entered into with any Holding Entity or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

"**TDR Capital**" means TDR Capital LLP and its successors and assigns.

"**Temporary Cash Investments**" means any of the following:

(1) any investment in

(a) direct obligations of, or obligations Guaranteed by, (i) any Permissible Jurisdiction, (ii) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Parent or a Restricted Subsidiary in that country with such funds, or (iii) or any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America, France or the United Kingdom rated at least "*A*" by S&P or "*A-1*" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof (or, if later, after the date of calculation under the Indenture) issued by:

(a) any lender under the Revolving Facilities Agreement,

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in clause (1)(a) above, or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "*A*" by S&P or "*A-2*" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Parent or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "*P-2*" (or higher) according to Moody's or "*A-2*" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any Permissible Jurisdiction or any agency or instrumentality thereof, and rated at least "*BBB*" by S&P or "*Baa3*" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in any Permissible Jurisdiction, in each case, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "*A*" by S&P or "*A2*" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"**Total Assets**" means the consolidated total assets of the Parent and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent balance sheet of such Person.

"**Transaction Security Documents**" means the security agreements, security interest agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"**Transactions**" means (i) the completion of the Exchange Offer, the Tender Offers (as defined elsewhere in this Exchange Offer Memorandum) and the New Money Notes Offering, (ii) the execution and delivery of the Revolving Facilities Agreement and (iii) and the transactions associated with any of the foregoing, including the incurrence and payment of costs, fees and expenses associated with such transactions.

"**Trust Management Assets**" means Rights to Collect, Rights to Participate or Underlying Portfolio Assets, in each case held by a Trust Management SPV on trust for a beneficiary which is not the Parent or a Restricted Subsidiary.

"**Trust Management SPV**" means a Restricted Subsidiary whose purpose is managing Trust Management Assets and other activities necessary or ancillary to managing Trust Management Assets, including necessary to fulfill any obligations or duty of the Trust Management SPV as a trustee.

"**UK Government Obligations**" means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

"**Underlying Portfolio Asset**" means performing, sub-performing or charged-off accounts, loans, receivables, mortgages, debentures, notes, claims and other similar assets or instruments (in each case, however pooled, aggregated, fractionally owned or contractually divided).

"**Uniform Commercial Code**" means the New York Uniform Commercial Code.

"**Unrestricted Subsidiary**" means:

(1) ACMH, and any Subsidiary of the Parent (other than the Issuer and its Successor Company) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Parent in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Parent may designate any Subsidiary of the Parent (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein, but excluding the Issuer and its Successor Company), to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Parent or any other Subsidiary of the Parent which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Parent in such Subsidiary complies with "*—Certain covenants—Limitation on Restricted Payments.*"

In the event of any designation by the Board of Directors of the Parent of a Subsidiary as an Unrestricted Subsidiary, the Parent shall deliver to the Trustee an Officer's Certificate certifying that such designation complies with the applicable foregoing conditions.

The Board of Directors of the Parent may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Parent could Incur at least £1.00 of additional Indebtedness under the first paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio for the Parent and its Restricted Subsidiaries for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of such designation would not be less than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation. Any such designation by the Board of Directors of the Parent shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of the Parent giving effect to such designation or an Officer's Certificate certifying that such designation complied with or satisfied the foregoing provisions.

"**Voting Stock**" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

TRANSFER RESTRICTIONS

The Exchange Notes have not been, and will not be, registered under the Securities Act or any state securities laws and, unless so registered, may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Issuer has not and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. Accordingly, any transfers of Exchange Notes to U.S. persons may only be made to Qualified Purchasers. The Exchange Notes offered hereby are being offered and delivered only to Existing Noteholders who are non-"U.S. persons" (within the meaning of Regulation S) who are not resident in the United States and are not located in or at any address in the United States in reliance on Regulation S.

Each purchaser of the Exchange Notes by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Dealer Managers as follows:

(1) It understands and acknowledges that the Exchange Notes (and the Note Guarantees) have not been registered under the Securities Act or any other applicable securities laws; are being offered and sold in transactions not requiring registration under the Securities Act or any other securities laws; and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (6) and (11) below.

(2) It understands that the Issuer has not and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. Accordingly, it acknowledges that any transfers of Exchange Notes to U.S. persons may only be made to Qualified Purchasers.

(3) It acknowledges that this Exchange Offer Memorandum relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities within the United States.

(4) It is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuer or acting on behalf of the Issuer and it is a non-"U.S. person" (within the meaning of Regulation S), or acting for the account or benefit of a non-"U.S. person"(within the meaning of Regulation S) that is purchasing the Exchange Notes who is not resident in the United States and is not located in or at any address in the United States in reliance on Regulation S.

(5) It acknowledges that neither we nor the Dealer Managers, nor any person representing us or the Dealer Managers, has made any representation to it with respect to the Exchange Offer or the issuance of any Exchange Notes (and the Note Guarantees), other than the information contained in this Exchange Offer Memorandum, which Exchange Offer Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Exchange Notes. It acknowledges that neither the Dealer Managers nor any person representing the Dealer Managers makes any representation or warranty as to the accuracy, adequacy or completeness of the information contained in this Exchange Offer Memorandum. It also acknowledges that it has had access to such financial and other information concerning us and the Exchange Notes as it has deemed necessary in connection with its decision to purchase any of the Exchange Notes.

(6) It is acquiring the Exchange Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws or any other applicable laws, subject 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 subject to its or their ability to resell such Exchange Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

(7) Each holder of the Exchange Notes agrees on its own behalf and on behalf of any investor account for which it is purchasing the Exchange Notes, and each subsequent holder of the Exchange Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Exchange Notes prior to the date (the "**Resale Restriction Termination Date**") that is, 40 days after the later of the

Settlement Date or the last date on which the Issuer or any of its affiliates was the owner of such Exchange Notes (or any predecessor thereto) only (i) to the Issuer or the Guarantors; (ii) pursuant to a registration statement that has been declared effective under the Securities Act; (iii) for so long as the Exchange Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person it reasonably believes is a Qualified Institutional Buyer who is also a Qualified Purchaser that purchases for its own account or for the account of a Qualified Institutional Buyer who is also a Qualified Purchaser to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act; (iv) pursuant to offers and sales to non-"U.S. persons" (within the meaning of Regulation S) outside the United States in reliance on Regulation S or (v) pursuant to any other available exemption from the registration requirements of the 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. Each Eligible Holder will, and each subsequent investor is required to, notify any subsequent investor of the Exchange Notes from the investor or it of the resale restrictions referred to in the legend below. Each Eligible Holder acknowledges that we and the New Notes Trustee reserve the right prior to any such offer, sale or transfer (I) pursuant to clause (iv) or (v) to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the New Notes Trustee. Each purchaser acknowledges that each certificate representing a note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "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, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) ("**RULE 144A**") ("**QUALIFIED INSTITUTIONAL BUYER**") WHO IS ALSO A "QUALIFIED PURCHASER" (AS DEFINED IN SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**")) ("**QUALIFIED PURCHASER**") OR (B) IT IS A NON-"U.S. PERSON" (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) ACQUIRING THIS NOTE OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, WHICH IS 40 DAYS AFTER THE LATER OF THE DATE WHEN THE SECURITIES WERE FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATIONS S) IN RELIANCE ON REGULATION S AND THE DATE OF THE COMPLETION OF THE DISTRIBUTION ONLY (A) TO THE ISSUER OR THE GUARANTORS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WHO IS ALSO A QUALIFIED PURCHASER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHO IS ALSO A QUALIFIED PURCHASER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE 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 NEW NOTES TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (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 NEW NOTES TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

BY ACCEPTANCE OF THIS NOTE OR ANY INTEREST THEREIN, EACH HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE OR HOLD THIS NOTE (OR ANY INTEREST HEREIN) CONSTITUTES THE ASSETS OF ANY (I) "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I, (II) A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") OR PROVISIONS UNDER ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS, RULES OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE "SIMILAR LAWS"), OR (III) ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING DESCRIBED IN CLAUSES (I) AND (II) OR (B) THE PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST HEREIN BY SUCH HOLDER WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

The following legend shall be included, if the Exchange Notes are issued with OID for U.S. federal income tax purposes:

THIS SECURITY HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("**OID**") FOR U.S. FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, THE AMOUNT OF OID, THE ISSUE DATE AND THE YIELD TO MATURITY OF THIS SECURITY MAY BE OBTAINED BY CONTACTING THE ISSUER AT SHERWOOD FINANCING PLC, BELVEDERE, 12 BOOTH STREET, MANCHESTER, UNITED KINGDOM, M2 4AW, ATTENTION: CHIEF FINANCIAL OFFICER.

(8) It agrees that it will give to each person to whom it transfers the Exchange Notes notice of any restrictions on transfer of such Exchange Notes.

(9) It agrees that prior to the expiration of a 40-day distribution compliance period (as defined under Regulation S under the Securities Act) commencing on the Settlement Date (as defined herein), as applicable, the Exchange Notes may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to another exemption from the registration requirements of the Securities Act.

(10) It acknowledges that the transfer agent will not be required to accept for registration of transfer any Exchange Notes except upon presentation of evidence satisfactory to us and the New Notes Trustee that the restrictions set forth therein have been complied with.

(11) It understands that no action has been taken in any jurisdiction (including the United States) by us or the Dealer Managers that would result in a public offering of the Exchange Notes or the possession, circulation or distribution of this Exchange Offer Memorandum or any other material relating to us or the Exchange Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Exchange Notes will be subject to the selling and transfer restrictions set forth in this Exchange Offer Memorandum.

(12) It is not nor is it acting for the account of a retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point

(11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**").

(13) It understands that: (i) the Exchange Notes (and the Note Guarantees) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor (as defined in paragraph (9) above) in the EEA, and (ii) no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Exchange Notes (and the Note Guarantees) or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Exchange Notes (and the Note Guarantees) or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

(14) It is not nor is it acting for the account of a retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565, as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014, as amended, as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK Prospectus Regulation**").

(15) It understands that: (i) the Exchange Notes (and the Note Guarantees) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor (as defined in paragraph (11) above) in the United Kingdom, and (ii) no key information document required by Regulation (EU) No 1286/2014, as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK PRIIPs Regulation**") for offering or selling the Exchange Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Exchange Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

(16) It is (i) a person having professional experience in matters relating to investments falling within Article 19(5) of the Order, or (ii) a person falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order, or (iii) a person outside the United Kingdom, or (iv) persons who are within Article 43(2) of the Order (which includes an existing creditor of the Issuer and therefore, includes the Existing Noteholders), or (v) a person to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated.

(17) It acknowledges that we, the Dealer Managers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Exchange Notes are no longer accurate, it will promptly notify the Dealer Managers. If it is acquiring any Exchange Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(18) It understands that, in the event additional New Floating Rate Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Exchange Notes belonging to the same series previously issued, without being fungible with such series of initial Exchange Notes for U.S. federal income tax purposes, Book-Entry Interests in the Exchange Notes held in Regulation S global notes format that form part of that series, including in respect of investors that hold Book-Entry Interests in the Exchange Notes held in Regulation S global notes format on or prior to the date of issuance of such additional New Floating Rate Notes, will not be eligible for transfer to Book-Entry Interests in a New Floating Rate Note in Rule 144A global note format (if any) representing New Floating Rate Notes of that same series.

DEALER MANAGERS AND EXCHANGE AND INFORMATION AGENT

Dealer Managers

Subject to the terms and conditions set forth in the dealer manager agreement dated as of November 21, 2024, we have retained J.P. Morgan Securities plc to act as Lead Dealer Manager and Joint Global Co-Ordinator, Barclays Bank plc, HSBC Bank plc and NatWest Markets plc to act as Joint Global Co-Ordinators and Co-Dealer Managers, and Citigroup Global Markets Limited, DNB Markets, a division of DNB Bank ASA, Goldman Sachs Bank Europe SE, Lloyds Banks Corporate Markets plc and Merrill Lynch International to act as Co-Dealer Managers (collectively, the "**Dealer Managers**"). We have agreed to pay the Dealer Managers reasonable and customary fees for their services, which will be paid upon consummation of the Exchange Offer. We have agreed to reimburse the Dealer Managers for their reasonable out-of-pocket expenses and to indemnify them against certain liabilities, including liabilities under federal securities laws and to contribute to payments that they may be required to make in respect thereof.

Any Existing Noteholder that has questions concerning the terms of the Exchange Offer may contact each Dealer Manager at its address, email and telephone number set forth on the back cover of this Exchange Offer Memorandum. Existing Noteholders may also contact their broker, dealer, custodian bank, depository, trust company or other nominee for assistance concerning the Exchange Offer.

The Dealer Managers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Dealer Managers and their affiliates have engaged, and may in the future engage, in investment banking (including hedging) and/ or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. Each of J.P. Morgan, Barclays Bank plc, Citigroup Global Markets Limited, DNB Markets, a division of DNB Bank ASA, Goldman Sachs Bank Europe SE, HSBC Bank plc, Lloyds Banks Corporate Markets plc, Merrill Lynch International, and NatWest Markets plc, or their respective affiliates are mandated lead arrangers, original lenders and/or bookrunners under the Existing Revolving Credit Facility Agreement and the New Revolving Credit Facility Agreement, are dealer managers in the Tender Offers and are joint global coordinators, joint bookrunners and/or initial purchasers in the New Money Notes Offering. In addition, certain Dealer Managers or their affiliates may have in the past and may in the future, from time to time, sell portfolios of performing or non-performing loans to the Group, may have engaged or may engage the Group for debt servicing of non-performing or performing loans and provided or may provide warehousing facilities to the Group in relation to the acquisition of debt portfolios. In addition, in the ordinary course of their business activities, the Dealer Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or their respective affiliates (including the Exchange Notes). In the ordinary course of their respective businesses, the Dealer Managers are entitled to continue to hold or dispose of, in any manner they may elect, subject to applicable law, any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes they may hold as at the date of this Exchange Offer Memorandum. The Dealer Managers may (i) submit Exchange Instructions for their own account and (ii) submit Exchange Instructions (subject to the terms and conditions of the Exchange Offer) on behalf of other Existing Noteholders. No submission or non-submission by the Dealer Managers of any Exchange Instructions should be taken by any Existing Noteholder or any other person as any recommendation or otherwise by the Dealer Managers as to the merits of participating or not participating in the Exchange Offer. The Dealer Managers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Dealer Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including potentially the Exchange Notes). Any such short positions could adversely affect future trading prices of the Exchange Notes. The Dealer Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Exchange and Information Agent

The Issuer has retained Kroll Issuer Services Limited to act as Exchange and Information Agent in connection with the Exchange Offer (the "**Exchange and Information Agent**"). The Exchange and Information

Agent will assist with the delivery of this Exchange Offer Memorandum and related materials to Eligible Holders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes, respond to inquiries of and provide information to Eligible Holders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes or any agent bearing fiduciary duties to any such holder relating to the completion and submission of Exchange Instructions in respect of Exchange Offer.

All correspondence in connection with the Exchange Offer and required documents should be sent, and requests for additional copies of this Exchange Offer Memorandum or any other required documents may be directed, to the Exchange and Information Agent at its address, email address and telephone number set forth on the back cover of this Exchange Offer Memorandum. Holders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes may also contact their commercial bank, broker, dealer, trust company or other nominee for assistance concerning the Exchange Offer. Subject to the terms and conditions set forth in an agreement between the Issuer and the Exchange and Information Agent, the Issuer has agreed to pay the Exchange and Information Agent customary fees for its services in connection with the Exchange Offer. The Issuer has also agreed to reimburse the Exchange and Information Agent for its reasonable out-of-pocket expenses.

The Exchange and Information Agent does not assume any responsibility for the accuracy or completeness of the information concerning us contained in this Exchange Offer Memorandum or in documents incorporated by reference herein or for any failure by us to disclose events that may have occurred and may affect the significance or accuracy of that information. Neither the Exchange and Information Agent nor any of its affiliates takes any position or makes any recommendation as to whether or not holders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes should participate in the Exchange Offer.

Other Fees and Expenses

The expenses of soliciting tenders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes will be borne by the Issuer. The total cash expenditures to be incurred by the Issuer in connection with the Exchange Offer, including accounting and legal fees, and the fees and expenses of the Dealer Managers, the Exchange and Information Agent and each of the Trustees will be paid using cash on hand.

Holders of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes will not be required to pay any fee or commission to the Issuer, the Dealer Managers or the Exchange and Information Agent in connection with the Exchange Offer. However, if the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are held through a broker, dealer, commercial bank, trust company or other nominee that tenders such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, on your behalf, holder’s broker or other nominee may charge you a commission for doing so. Holders should consult with your broker or other nominee to determine whether any charges will apply.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

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

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

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

- audited consolidated historical financial information for the Parent as of and for the years ended December 31, 2021, 2022 and 2023, prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- audited consolidated historical financial information for AGGL as of and for the year ended December 31, 2021, prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- unaudited combined financial information for AGGL and the Parent as of and for the year ended December 31, 2021;
- unaudited condensed consolidated historical financial information for the Parent as of September 30, 2024 and for the nine-month period ended September 30, 2024 (with comparative information for the nine months ended September 30, 2023), prepared in accordance with IFRS; and
- financial measures not determined in accordance with IFRS.

Financial Information for the Group

In particular, in this Exchange Offer Memorandum we present certain audited financial information for the years ended December 31, 2021, 2022 and 2023, which has been derived from (i) the audited consolidated financial statements of the Parent as of and for the period from March 29, 2021 (the date of incorporation of the Parent) to December 31, 2021 (the "**Parent 2021 Financial Statements**"), (ii) the audited consolidated financial statements of the Parent as of and for the year ended December 31, 2022 (the "**Parent 2022 Financial Statements**") and (iii) the audited consolidated financial statements of the Parent as of and for the year ended December 31, 2023 (the "**Parent 2023 Financial Statements**" and together with the Parent 2021 Financial Statements and the Parent 2022 Financial Statements, the "**Audited Consolidated Financial Statements**"). The Audited Consolidated Financial Statements prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006. The Audited Consolidated Financial Statements have been audited by KPMG LLP ("**KPMG**"), our independent auditors, without qualification, as stated in their respective audit opinions included elsewhere in this Exchange Offer Memorandum. We have included the Audited Consolidated Financial Statements elsewhere in this Exchange Offer Memorandum.

TDR Capital completed the Acquisition of our Group on October 11, 2021. Prior to our Acquisition, we reported our financial results, and prepared our audited consolidated financial statements at the level of Arrow Group Global Limited (previously known as Arrow Group Global plc) ("**AGGL**") and its subsidiaries. Following the completion of our Acquisition, and effective from October 11, 2021, we changed our consolidation perimeter from AGGL to the Parent, and commenced reporting our financial results, and preparing our audited consolidated financial statements at the level of the Parent and its subsidiaries. However, the audited consolidated financial statements of the Parent and its subsidiaries as of and for the period from March 29, 2021 (the date of incorporation of the Parent) to December 31, 2021 (the "**Parent 2021 Financial Statements**") contain the operating results of the Group from October 11, 2021 only. In addition, prior to October 11, 2021, the Parent and its then subsidiaries (which includes the Issuer) had no revenue-generating activities and no business operations, material assets or liabilities other than assets and liabilities acquired or incurred in connection with their incorporation. As a result, in addition to the Parent 2021 Financial Statements, we have included elsewhere in this Exchange Offer Memorandum, the audited consolidated financial statements of AGGL and its subsidiaries as of and for the period from January 1, 2021 to December 31, 2021 (the "**AGGL 2021 Financial Statements**"), which contain the operating results of the Group for the period from January 1, 2021 to December 31, 2021.

As of and for the year ended December 31, 2021, we have also presented below certain unaudited combined financial information prepared on a non-statutory basis, which is calculated by combining (i) unaudited consolidated financial information of AGGL and its subsidiaries for the period from January 1, 2021 to October 10, 2021, derived from the AGGL 2021 Financial Statements, which covers the operating results of the Group for the year ended December 31, 2021 prior to the completion of our Acquisition by TDR Capital on October 11, 2021 and (ii) unaudited consolidated financial information of the Parent and its subsidiaries for the period from October 11, 2021 to December 31, 2021, derived from the Parent 2021 Financial Statements, which covers the operating results of the Group for the year ended December 31, 2021 following the completion of our Acquisition by TDR Capital on October 11, 2021 (the "**Combined 2021 Financial Information**"). We believe that the presentation and discussion of the Combined 2021 Financial Information is meaningful to the reader as it allows the results of operations to be analyzed to comparable periods and represents how management evaluates the business. Although management views these periods on a combined basis for purposes of evaluating operating results, the reader is cautioned that these are considered to be separate periods for financial reporting purposes and they should be evaluated separately as applicable. The Combined 2021 Financial Information excludes the impact of non-cash adjustments to asset and liability valuations that have been recognized directly in the Parent 2021 Financial Information, as required for the Parent's acquisition of the Arrow Global Group under IFRS 3 Business Combinations. Prior to the completion of our Acquisition by TDR Capital, the Parent and its subsidiaries at such time (including the Issuer) had no revenue-generating activities of their own and no business operations, material assets or liabilities other than those acquired or incurred in connection with their incorporation. As a result of fair value accounting applied at the date of the Acquisition required by IFRS, the historical consolidated financial information of Parent and its subsidiaries, as reflected in the Parent 2021 Financial Statements has an accounting basis that is different from the accounting basis of the historical consolidated financial information of AGGL and its subsidiaries. Except as otherwise specified above, the Combined 2021 Financial Information is derived from combined financial statements prepared by applying the accounting policies and presentation that were applied in the preparation of the AGGL 2021 Financial Statements and the Parent 2021 Financial Statements.

The Combined 2021 Financial Information has not been audited or reviewed in accordance with any generally accepted auditing standards. Any reliance you place on this information should fully take this into consideration.

To aid the comparability of relevant financial results for the year ended December 31, 2021 with subsequent periods, and unless otherwise specified, all historical consolidated income statement and cashflow-related information presented in this Exchange Offer Memorandum for the year ended December 31, 2021 are derived from the Combined 2021 Financial Information, and all balance sheet-related information presented below as of December 31, 2021 is derived from the Parent 2021 Financial Statements.

We also present in this Exchange Offer Memorandum certain unaudited financial information for the nine months ended September 30, 2024 (with comparative information for the nine months ended September 30, 2023), which has been derived from the unaudited consolidated condensed financial statements of the Parent as of and for the nine months ended September 30, 2024 (the "**Unaudited Consolidated Condensed Financial Statements**," and, together with the Audited Consolidated Financial Statements, the "**Consolidated Financial Statements**"). The Unaudited Consolidated Condensed Financial Statements have been prepared on a similar basis as the Audited Consolidated Financial Statements described above, but under the requirements of IAS 34 regarding interim financial statements. We have included the Unaudited Consolidated Condensed Financial Statements elsewhere in this Exchange Offer Memorandum.

In addition to the above, this Exchange Offer Memorandum includes certain financial information of the Parent on a consolidated basis for the twelve months ended September 30, 2024. This information was calculated by subtracting the Group's results of operations data for the nine months ended September 30, 2023, from the Group's results of operations data for the year ended December 31, 2023, and adding the Group's results of operations data for the nine months September 30, 2024. The consolidated financial information of the Parent for the twelve months ended September 30, 2024 has been prepared solely for the purposes of this Exchange Offer Memorandum and is for illustrative purposes only. The consolidated financial information of the Parent for the twelve months ended September 30, 2024 is not necessarily representative of the Group's or the Parent's results of operations for any future period or their financial condition at any future date, is unaudited and is not prepared in the ordinary course of our financial reporting or in accordance with IFRS.

We use certain defined terms in this Exchange Offer Memorandum to refer to certain items in the Consolidated Financial Statements. See "*Certain Definitions*" for the relevant definitions. The following table sets forth the defined terms used and the corresponding items in the Group's consolidated financial statements:

As used in this Exchange Offer Memorandum	**As presented in the Group's consolidated financial statements**
Existing Revolving Credit Facility(1)	Revolving credit facility
Balance Sheet	Statement of Financial Position
Balance Sheet Cash Collections	Collections in the year
Existing Notes(2)	Senior secured notes
Non-Recourse Facilities(3)	ABS/Asset-backed loan

(1) Drawings under the Existing Revolving Credit Facility will be cashlessly rolled and deemed to be new drawings under the New Revolving Credit Facility and all of the drawings under the Existing Revolving Credit Facility will be cancelled on such date.

(2) Represents the Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes and the Existing Sterling Fixed Rate Notes.

(3) The Group has two non-recourse committed asset-backed securitization term loans, being the Sterling Non-Recourse Facility and the Euro Non-Recourse Facility. As of December 31, 2023, the Group has repaid these facilities in full.

The financial information for the year ended December 31, 2022 has been restated to reflect the change in our segmental reporting structure, which now comprises: (i) Integrated Fund Management, (ii) Balance Sheet and (iii) Group. This change was made to better reflect the evolved nature of the Group's business model and presenting direct costs of the Group's business lines is deemed to provide more relevant information. The financial information relating to fiscal year 2021 presented in the Parent 2021 Financial Statements represents the actual results from the period of incorporation of the Parent on March 29, 2021 to December 31, 2021, whereas the financial information relating to fiscal year 2021 presented as comparative information in the Parent 2022 Financial Statements represents restated results for that period. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations*" and "*Summary—Summary Historical Consolidated Financial and Other Information*."

As noted above, the Group prepares its financial statements in accordance with IFRS, which differs in various significant respects from accounting principles generally accepted in the United States ("**U.S. GAAP**"). In making an investment decision, you should rely upon your own examination of the terms of the Exchange Offer and the financial information contained in this Exchange Offer Memorandum. You should consult your own professional advisors for an understanding of the differences between IFRS on one hand and U.S. GAAP on the other hand, and how those differences could affect the financial information contained in this Exchange Offer Memorandum.

The results of operations for prior fiscal years may not be necessarily indicative of the results to be expected for any future period. The preparation of financial statements in conformity with IFRS requires the Group to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

We present the Group's consolidated financial statements in this Exchange Offer Memorandum. Since the completion of the Acquisition, we have not prepared separate consolidated financial statements for AGGL and the Group now reports its consolidated financial results at the level of the Parent. See also "*Management's*

Discussion and Analysis of Financial Condition and Results of Operations—Factors Impacting Comparability—Segment Reporting."

On the Settlement Date, ACMH, ACML and ACML's subsidiaries will be Unrestricted Subsidiaries and therefore not subject to the restrictions under the New Indenture. No separate financial information for ACMH, ACML and its subsidiaries is included in this Exchange Offer Memorandum and the results of these Unrestricted Subsidiaries are consolidated in our Consolidated Financial Statements. During the year ended December 31, 2023, and the nine months ended September 30, 2024, the Group's EBITDA generated by such Unrestricted Subsidiaries was £7.5 million and £18.1 million, which for the nine months ended September 30, 2024, represented 24.6% of our total consolidated EBITDA. Further, during the twelve months ended December 31, 2023, our "capital light" Integrated Fund Management segment contributed 68% of our total income, while the Balance Sheet segment contributed 32% of our total income. Approximately 60% of total income earned by the Unrestricted Subsidiaries during the twelve months ended December 31, 2023 was indirectly received by the Restricted Group pursuant to recharges for services that certain of the Restricted Subsidiaries provided to ACML. Additionally, a Restricted Subsidiary, Arrow Global Limited, holds preferred ordinary shares in ACML, entitling it to all dividends declared and paid by the Fund Manager.

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

Issuer Financial Statements

The Issuer was incorporated on July 6, 2021, in connection with the Acquisition. As of the date of this Exchange Offer Memorandum, the Issuer is a holding company with no revenue-generating activities of its own, and no business operations, material assets or material liabilities, other than those incurred in connection with its incorporation and the Transactions, including indebtedness incurred in connection with the Transactions. Further, Finco was incorporated on July 29, 2021 and Bidco was incorporated on March 29, 2021, in connection with the Acquisition. As of the date of this Exchange Offer Memorandum, each of Finco and Bidco are holding companies with no revenue-generating activities of their own, and no business operations, material assets or material liabilities, other than those incurred in connection with their respective incorporations and the Transactions, including indebtedness incurred in connection with the Transactions. As a result, no financial information of the Issuer, Finco or Bidco is included in this Exchange Offer Memorandum. The Issuer is currently not expected to engage in any activities other than those related to the Transactions and any other future potential transactions permitted by the New Indenture.

Other Financial Information

Financial measures prepared in accordance with IFRS

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

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

- "**Effective Interest Rate**" or "**EIR**," which means under IFRS the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. For us, this typically means that the EIR is set based on forecast 84-Month ERC at the date of purchase and the loan portfolio purchase price. EIR is reassessed and may be adjusted up to 12 months after the purchase of each loan portfolio. For portfolio investments measured at fair value through the profit and loss, the EIR typically is calculated using the lifetime ERC rather than an 84-Month ERC;

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

- "**Working capital adjustments**," which included, historically, the net movement on debtors and creditors, excluding the Existing Revolving Credit Facility, Non-Recourse Facilities, the Existing Notes and related accrued interest, and corporation tax debtors and creditors. Following completion of the Transactions, "working capital adjustments" will include the net movement on debtors and creditors, excluding the New Revolving Credit Facility, the New Money Notes, the Exchange Notes, any Outstanding Existing Notes and related accrued interest, and corporation tax debtors and creditors.

Financial measures not prepared in accordance with IFRS

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

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

- "**Adjusted EBITDA**," which we define as profit/(loss) for the year adjusted to exclude the effects of finance income and costs, taxation credit/(charge) on ordinary activities, derivative fair value movements, portfolio amortization, depreciation and amortization, foreign exchange gains/(losses), net (profit)/loss on disposal of intangible assets and property, plant and equipment, profit on disposal of subsidiary, profit on disposal of held for sale assets and liabilities, share-based profit in associates, excluding adjusting items, loss on reclassification to held for sale and certain operating adjusting items.

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

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

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

- "**Balance Sheet Cash Collections**," which are presented in our consolidated financial statements and mean cash collections on our existing portfolio investments including collections on the Group's co-investment in ACO I, ACO II, AREO I, ALO I and AREO II portfolio sales and put-backs;

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

- "**Net Debt**," which represents the sum of the outstanding principal amount of the Existing Notes, amounts outstanding under the Existing Revolving Credit Facility, the Non-Recourse Facilities, the Miscellaneous Facilities and deferred consideration payable in relation to the acquisition of portfolio investments and subsidiaries and associates, less cash and cash equivalents. After giving effect to the Transactions, from the Settlement Date, Net Debt will include the amount outstanding under the New Money Notes, the Exchange Notes, the Outstanding Existing Notes, the New Revolving Credit Facility, the Non-Recourse Facilities and Miscellaneous Facilities, less cash and cash equivalents; and

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

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

- "**Capital-light businesses' percentage of EBITDA**," which means EBITDA of the Integrated Fund Management segment as a percentage of our total EBITDA.

  We present Capital-light businesses' percentage of EBITDA because we believe that it enhances an investor's understanding of the evolution of our Group as an integrated fund manager and, as such, the Capital-light businesses' percentage of EBITDA is an important indicator of the development of the business. It represents the percentage of our business that is capital-light and supported by our Integrated Fund Management business;

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

- "**Funds under management**" or "**FUM**," means the value of all fund management assets and commitments managed by us, including ACO I, ACO II, AREO I, Norfin, Europa Investimenti, Sagitta, Maslow and any of our own capital which we have committed to primarily co-invest alongside third parties committed capital. FUM is an important metric used to understand the scale of the Group's fund management activities and how this compares to others in the market;

- "**Leverage**" represents the ratio of Secured Net Debt to Adjusted EBITDA;

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

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

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

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

  We present 84-Month ERC and 120-Month ERC because they represent an estimate of the cash value of our portfolio investments at any point in time, which is an important supplemental measure for our Board and management to assess our performance, and underscores the cash generation capacity of the assets backing our business. We use 120-Month ERC in addition to 84-Month ERC to reflect the longer-term nature of our collections because of our high share of financial services assets, combined with our large proportion of Paying Accounts.

Under the New Indenture, ERC will be calculated based on projected collections from Portfolio Assets, which in turn includes a range of receivables included within the definition of Underlying Portfolio Assets. These Underlying Portfolio Assets may be held directly by us, or could be held by third parties. Specifically, we include within Portfolio Assets (i) Underlying Portfolio Assets owned directly by the Parent and its Restricted Subsidiaries (whether such direct ownership is in whole or in part), (ii) Underlying Portfolio Assets held by third parties as to which we have rights to collect and retain amounts generated by such Underlying Portfolio Assets (defined in the New Indenture as Rights to Collect) and (iii) Underlying Portfolio Assets held by third parties as to which we have contractual rights or other rights to amounts generated by such Underlying Portfolio Assets (defined in the New Indenture as Rights to Participate). Rights to Participate cover a range of rights to share in pools or other aggregations of receivables (based on negotiated percentages) that we do not own directly or through equity interests. See "*Description of the New Notes*."

84-Month ERC and 120-Month ERC are projections of our estimated remaining collections over an 84 month-period or a 120-month period, respectively, calculated by our proprietary ERC forecasting model, which uses our historical portfolio collection performance data, and we cannot guarantee that we will achieve such collections. Further, we constantly refine our methods for calculating 84-Month ERC and 120-Month ERC.

The balance sheet value of our portfolio investments is derived from the same proprietary ERC forecasting model used to derive 84-Month ERC and 120-Month ERC. The actual collection periods used for balance sheet valuation are not fixed at 84 or 120 months and vary based on our view of portfolio characteristics. Accordingly, there are differences between the cash flow projections used to calculate 84-Month ERC and 120-Month ERC and those used in the calculation of balance sheet values of portfolio investments.

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

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

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

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

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

The non-IFRS measures and other information are based on available information and certain assumptions and estimates that we believe are reasonable in the circumstances. However, these assumptions and estimates are inherently uncertain, subject to a wide variety of significant business, economic and other risks and may differ materially from our actual financial condition or results of operations. The non-IFRS measures and other information presented in this Exchange Offer Memorandum are not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC.

The Consolidated Financial Statements are presented in pounds sterling. Figures expressed in currencies other than pounds sterling have been converted at the relevant exchange rate applicable as of the date of the balance sheet included in such Consolidated Financial Statements.

As Adjusted Financial Information

We present in this Exchange Offer Memorandum certain information and certain ratios that give effect to the Transactions, as described in "*Summary—The Transactions*." The adjustments assume that the Transactions occurred on October 1, 2023 (with respect to consolidated statement of profit or loss and other comprehensive income data) or September 30, 2024 (with respect to consolidated balance sheet data).

The *as adjusted* financial information is for informational purposes only and does not necessarily present what our results would actually have been had the Transactions actually occurred on October 1, 2023 (with respect to consolidated statement of profit or loss and other comprehensive income data) or September 30, 2024 (with respect to consolidated balance sheet data), and should not be used as the basis of projections for our results of operations or financial condition for any future period. The *as adjusted* financial information is not calculated in accordance with IFRS, has not been prepared in accordance with the requirements of Regulation S-X of the SEC, the Prospectus Regulation, the UK Prospectus Regulation or any generally accepted accounting standards, and has not been audited or reviewed in accordance with applicable auditing standards. Any reliance you place on this information should fully take this into consideration.

Illustrative Data

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

Presentation

References in this Exchange Offer Memorandum in the context of annual financial periods to a year (e.g., "2021," "2022" and "2023") are to the financial year ended or ending December 31 of such year.

Rounding

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

Currency Presentation

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

SUMMARY

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

Overview

Founded in 2005 by Zachary Lewy, we are a leading European integrated fund manager. Our principal activities are to provide fund and asset management services to third parties and to invest capital across credit, real estate and lending investment strategies.

We operate 22 local platforms in the United Kingdom, Ireland, Spain, Portugal, the Netherlands, Italy and Germany, complementing central teams to provide fund management, asset management and servicing capabilities across Western Europe. While we predominantly fund our investment activity through commitments from Limited Partners, we also invest our own capital in our three investment strategies, primarily via co-investments in our discretionary funds (the "**Funds**"). We plan to continue to grow our earnings as an integrated fund manager, through increased income generated from management fees and performance fees from our Funds, together with stable servicing income derived from our asset management and servicing platforms and less of a dependency on our Balance Sheet segment - a plan which we refer to as our capital-light businesses model. See "*Business—Our Businesses*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model*."

As of September 30, 2024, we had €10.5 billion in funds under management ("**FUM**") and £1,177.4 million in estimated remaining collections over the next 84 months ("**84-month ERC**"). In the nine months ended September 30, 2024, we generated EBITDA from our Integrated Fund Management segment of £52.0 million, Adjusted Free Cash Flows of £192.2 million and deployed €1.25 billion across our Funds.

Our segmental reporting is split between Integrated Fund Management, Balance Sheet and Group. The activities within our Integrated Fund Management segment originate new investment opportunities that our Balance Sheet segment can co-invest into, thereby creating additional opportunities for our asset management and servicing platforms within our Integrated Fund Management segment to service such investments. The model drives increasing capital-light revenue streams, minimizes capital requirements and facilitates de-leveraging.

Integrated Fund Management

Our Integrated Fund Management segment includes our fund management activities, as well as asset management, sourcing and servicing activities offered through our various platforms. Our investment team has an extensive track record of successfully investing across credit, real estate and lending opportunities. As of September 30, 2024, including co-investments, we had €10.5 billion of FUM, including our flagship discretionary closed-end funds, ACO I, ACO II and AREO I. Our pan-European local servicing platforms service a significant portion of the assets of our Integrated Fund Management business, as well as our Balance Sheet business and third-party clients, such as other investment managers and banks. We continue to invest in our integrated fund manager model as we scale fundraising, investing and servicing capabilities across the credit, real estate and lending markets. Having developed our vertically integrated fund manager capabilities across multiple strategies, we aim to continue to grow our capital-light income from our local platforms to accelerate our de-leveraging strategy.

Balance Sheet

Our Balance Sheet segment comprises the investment portfolios purchased utilizing our own capital, including co-investments in our Funds (e.g. ACO I, ACO II and AREO I), and those made directly by us, predominantly comprising of our historic back-book. Our co-investment level is typically 25% of the total portfolio investment under ACO I, a level which we reduced to typically 10% under AREO I and ACO II, thereby further decreasing the capital requirement for the Group. Under our Balance Sheet segment, we now primarily co-invest in our Funds, as we believe this business model will ensure alignment with our Limited Partners' interests and, at the same time, drive growth in capital-light earnings.

Group

Our Group segment records costs relevant to overall oversight and control of the Group's activities.

Our business model

Since 2019, we have evolved from a multi-asset class and multi-geographical debt purchaser and servicer with small fund management operations, to a leading integrated fund manager in credit, real estate lending and real estate equity with a Western European footprint comprising 22 local platforms and operations across seven geographies. Our business model has evolved to focus on generating higher levels of capital-light revenue from our integrated fund manager operations as compared to revenue from our Balance Sheet segment. As a result, our business model is a comparatively less capital-intensive model than many other businesses that operate in the traditional credit management sector.

We have three core strategies: opportunistic credit, real estate lending and real estate equity, and we have raised discretionary funds from third-party LPs to execute on each. Across these strategies, investments can include secured and unsecured defaulted and non-core loan and real estate portfolios primarily from financial institutions, such as banks, institutional fund investors and specialist lenders, playing an active role in helping financial institutions reduce the size of their balance sheets and re-capitalize in order to increase mainstream lending. It also includes the origination of performing bridge, development and term loans as part of our real estate lending franchise that had raised €750 million by September 30, 2024. The local, on-the-ground presence and expertise embedded in our platforms allow us to access and manage a broad range of granular and mid-market asset-backed opportunities across a variety of sectors covering each of our three investment strategies.

Our hallmark is to invest opportunistically by moving between European geographies, asset classes and positions across the capital structure as we evaluate evolving risk and return dynamics. To execute this strategy, we have developed our geographic and asset-class expertise in our seven core geographies. This model offers an on-the-ground presence alongside a breadth of servicing capabilities and market visibility, which gives us a practical advantage when operating in fragmented European markets. Our asset management and servicing platforms generate differentiated opportunities through disciplined investing, underwriting insight and proprietary deal flow. We believe that our vertically integrated platforms provide us with an advantage over our competition and support our efforts to create long-term value through market cycles.

Our over 2,000 local professionals in the seven core geographies in which we operate are our key differentiator from other alternative asset managers. Over the years, we have brought together leading practitioners, both locally and centrally, in the European private credit, lending and real estate space. Through this combined local, on-the-ground presence and centralized capabilities, we have established strong connections with key players in these markets, facilitating our ability to source and execute off-market investment opportunities.

Our Strengths

We believe we benefit from the following key strengths:

A differentiated capital-light business model

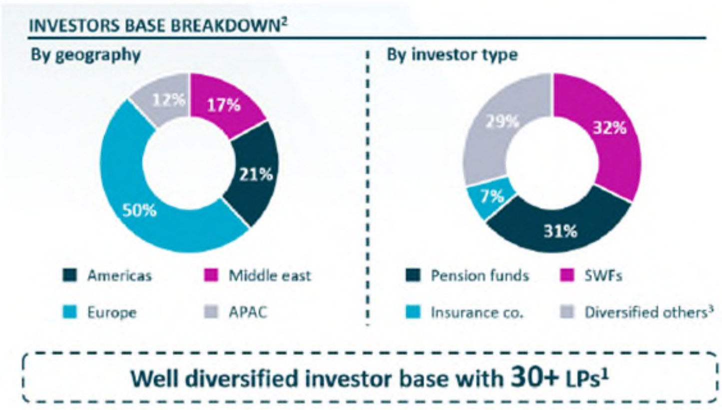
We believe we have a differentiated capital-light business model. Many traditional fund managers have a centralized investment team and a limited geographical presence in, and relationships to, markets outside of their home countries. This restrains not only their ability to make investments but they also tend to make large investments in a limited number of opportunities, regularly sourced in competitive auctions.

We rely on multiple scalable and market-leading local platforms in various countries that support a central investment team. We believe that our geographically diversified local platforms drive the success of our business model by having deep knowledge, expertise and relationships in each core geography, which allows us to originate off-the-market and aggregate smaller-sized deals in sophisticated granular asset classes, through which we seek to deliver higher risk-return profiles. Our localized presence enables us to source and originate investment opportunities, while also having an on-the-ground presence to service the investments.

By utilizing funding from our Funds' Limited Partners', we are able to generate capital light returns. Our Limited Partners' commitments are made in the discretionary Funds, in which our Balance Sheet business typically co-invests, and for which we aspire our local platforms to provide asset management and servicing and fund management services. Having completed our transition from a balance sheet-intensive debt purchaser to an integrated fund manager with local platforms, we believe we have a distinctive business model that separates us from competitors.

Strong fundraising track record

Since the launch of our first Fund (ACO I) in 2019, we have a strong fundraising track record with more than €5 billion of discretionary capital raised across our Funds. Our opportunistic credit Funds, ACO I and ACO II, have raised approximately €4.5 billion in aggregate, while our real estate equity Funds, AREO I and AREO II combined, and our real estate lending Fund, ALO I, raised approximately €160 million and €750 million, respectively. We were able to secure investments in ALO I from the Abu Dhabi Investment Authority, one of the world's largest sovereign wealth funds, which we believe underpins the success of our business model, and our investment track record. Our investor base is well diversified across different geographies and investor types, as summarized in the below chart.



Source: Company information.

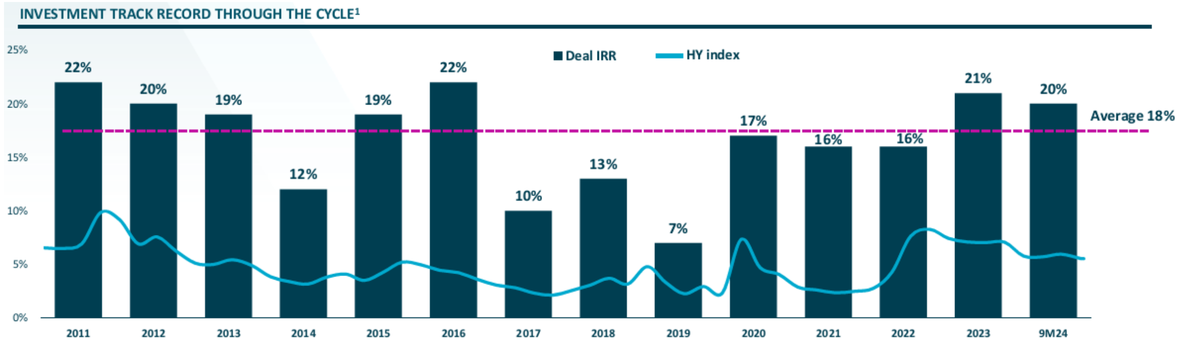
(1) Based on ACO I and ACO II.
(2) Based on Limited Partner commitments for ACO I, ACO II, and AREO as of December 31, 2023.
(3) Includes banks, asset managers, endowments, family offices, etc.

Our Funds have on average around 30 Limited Partners and approximately 40% of the Limited Partners invest in two or more Funds, with ACO II having achieved an approximately 100% re-investment rate from ACO I investors. Based on investments into ACO I and ACO II, the average commitment size for a Limited Partner is approximately €95 million. We believe that our strong track record is further supported by what we consider key performance indicators for Limited Partners, such as Net Deal IRR (see "—*Strong investment track record*.").

Strong investment track record

We have a track record of delivering strong returns at an average Net Deal IRR of 18% since 2011 (which is calculated for investment portfolios across Group and Fund investments, but excludes co-investments). Even during periods of economic dislocation, we were able to perform above the Bloomberg Euro high yield index, which supports our Funds' efforts to raise funds from investors.

The chart below shows our Net Deal IRR from 2011 to September 30, 2024 in comparison to the Bloomberg Euro high yield index during the same time and it shows that we were able to outperform the Bloomberg Euro high yield index each year during this period.



Source: Company information; Bloomberg Euro high yield index from January 2011 to September 30, 2024.

(1) Deal IRR represent returns before the allocation of management fees, fund expenses, SPV costs and any incentive fees or carried interest paid, accrued or allocated to the general partner or investment manager of the Funds and accounts. Deal IRR denotes the returns across Arrow and LP investments, excluding third-party co-investments. Average IRR calculated from 2010 to September 2024.

As of September 30, 2024, our opportunistic credit funds, ACO I and ACO II, delivered Net Deal IRRs of 16% and 20% (in each case, net of servicing costs), respectively. Limited Partners in ACO I have received €276 million in distributions to date, €180 million of which were paid in the first nine months of 2024.

We believe that the following four factors have been critical in establishing our track record of delivering high IRRs on our portfolio investments:

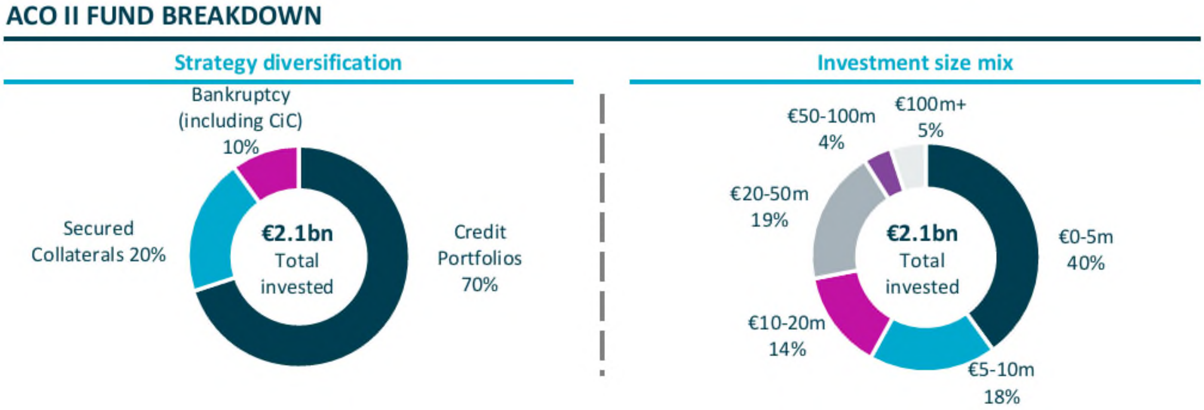
- professionals with significant experience and a deep bench of management experience;
- local expertise of acquiring and servicing a range of assets across attractive European markets;
- strong origination capabilities with broad reach allowing us to source a high level of granular, off-market deals; and
- leading central underwriting and data analytics capabilities, which enable us to price portfolios for the risk with accuracy.

Diversified investment strategies

Since 2019, we have evolved from a debt purchaser and servicer with small fund management operations, to a leading integrated fund manager in credit, real estate lending and real estate equity with a Western European footprint comprising 22 local platforms and operations across seven geographies. Our opportunistic credit strategy, which we pursue through our local platforms and co-investments in our two dedicated funds (ACO I and ACO II), focuses on performing and non-performing loan portfolios, bankruptcy situations and secured collateral. Our real estate lending investment strategy, supported by our discretionary fund ALO I and our co-investment therein, focuses on providing flexible financing solutions to real estate investors and developers, secured primarily on real estate assets, such as bridge loans, development loans and term mortgages. Our real estate equity investment strategy, which we pursue through and via co-investments in our AREO funds, focuses on granular or diverse properties and assets requiring capital and operating expertise, which we provide through our local platforms.

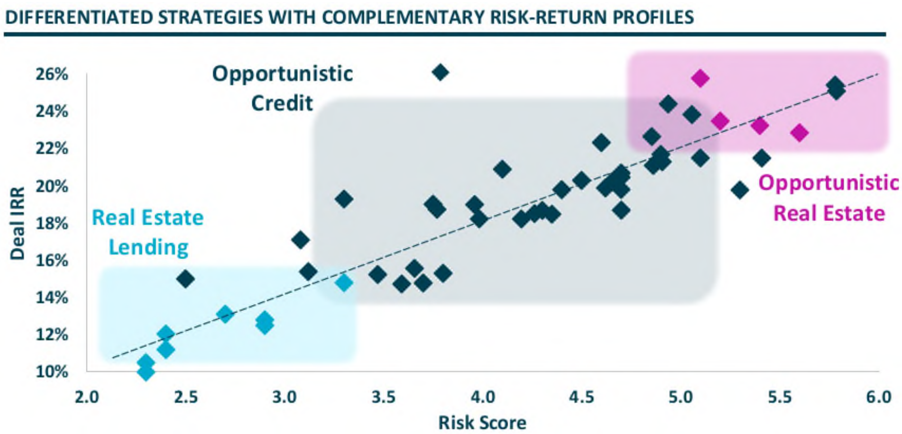
We believe that our relevant track record and experience having operated in each of our core geographies for a long time as well as our familiarity with each asset class provides us with a competitive advantage. In addition, our local presence enables us to target smaller transactions and aggregate opportunities in sophisticated granular assets where local knowledge provides a competitive advantage and supports the creation of relationships with debt originators. This enables our origination of off-market deals, which to date constituted approximately 78% of our deals based on total capital deployed (through our historic back-book and managed funds) since 2010, and allows us to avoid competitive bidding or an auction-like processes in some instances.

Our investments are broadly diversified both by strategy and by investment size. For example, as of September 30, 2024, more than 90% of the NAV of our investments by ACO II were secured by real estate or cash-in-court and over 55% of investments by value were small or granular (up to approximately €10 million per investment). The chart below shows a breakdown of total capital invested by investment type and size by ACO II as of September 30, 2024.



Source: Company information.

Our differentiated investment strategy also means differentiated risk-return profiles. While real estate equity provides the highest level of risk/Deal IRR profile of our three investment strategies, opportunistic credit represents a medium level of risk/Deal IRR profile and real estate lending the lowest risk/Deal IRR profile of our three investment strategies. The chart below depicts our Deal IRRs and the risk scores as of September 30, 2024 for a sample of our investments in 2024.



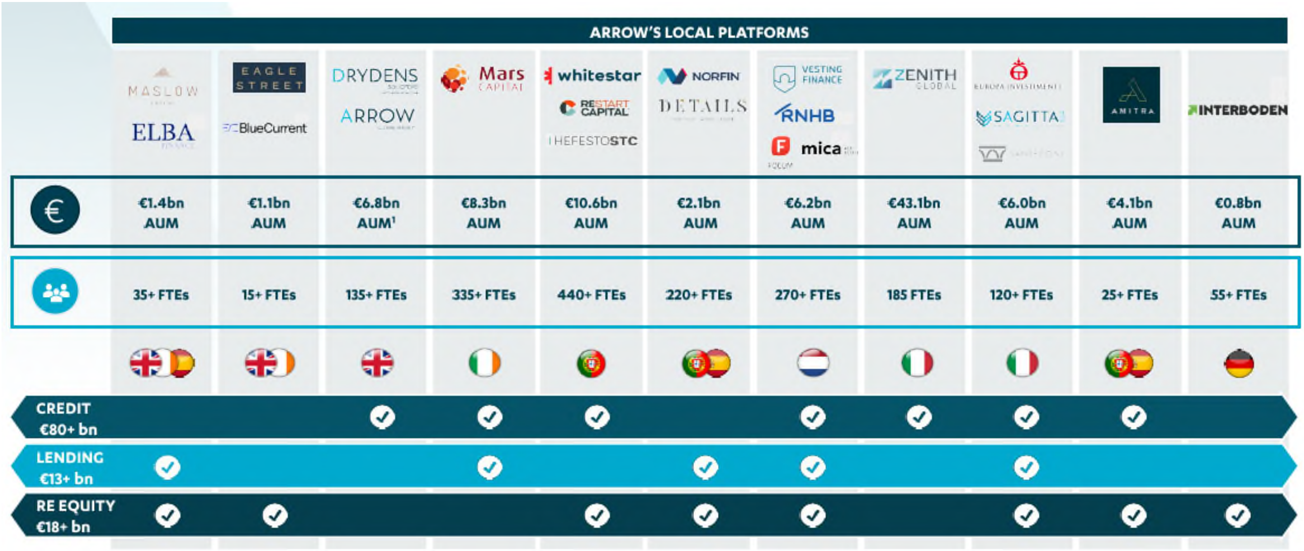
Source: Company information.

Our focus is on off-market and smaller-sized deals in sophisticated granular asset classes, through which we seek to deliver higher risk-return profiles.

Geographic diversification

We operate 22 local platforms in the United Kingdom, Ireland, Spain, Portugal, the Netherlands, Italy and Germany. Such geographic diversification mitigates our reliance on a single market. From time to time, we expand into select geographies that are either complementary to existing exposures and expertise, or where we believe that we can use the cross-border competencies of our existing platforms. We are well-positioned with an on-the-ground presence and operations in some of the largest European credit, real estate and other non-core asset jurisdictions. Moreover, we have a track record of operating in each of our core geographies and are familiar with each asset class that we invest in, supported by experienced local professionals on the ground, which provides us with a competitive advantage. Our local sourcing and servicing platforms focus on loan origination and underwriting, portfolio servicing and asset management. Our local platforms allow us to originate off-the-market and aggregate smaller-sized deals in sophisticated granular asset classes, through which we seek to deliver higher risk-return profiles.

Each of our local platforms has a distinctive positioning, targeting different countries and investment verticals, as summarized in the following chart.



Source: Company information.

(1) Including the contracts of Arrow UK Asset Management.

Attractive investment segments underpinned by strong fundamentals and growth drivers

We operate in a number of attractive market segments supported by positive underlying industry trends. For a discussion of the underlying industry trends across the market segments in which we operate, see "*Industry*."

Credit Opportunities

We believe the European opportunistic credit market is large, fragmented and overbanked, creating a disparate environment across countries with various regulatory and legislative frameworks that favors local and granular operations, with historical inefficiencies generating high volumes of non-core and non-performing credit assets that include European NPLs, non-core banking opportunities, certain real estate-related assets and other assets acquired out of distressed situations. As a result, many smaller-sized transactions often pass under the radar of larger funds, whereas our local platforms allow us to capture such transactions.

High interest rates and inflation are creating challenges for struggling borrowers to refinance debt initially incurred with lower interest rates, creating the potential for an increase of such non-core and non-performing assets in the short to medium term. Furthermore, increasing regulatory and supervisory pressure to limit banks' exposure to non-performing assets in recent years has been leading banks to sell such portfolios on a regular basis. Specific sectors, such as real estate, hospitality, and retail, which were heavily impacted by the COVID-19 pandemic, are more vulnerable. We expect higher generation of distressed credit opportunities in the real estate sector, as higher interest rates and costs have made debt repayments challenging for many borrowers.

Real Estate Lending Opportunities

Since 2008, there has been an increased demand for private credit, including in real estate lending. Attractive financing opportunities for high-quality borrowers are arising from banks' retrenchment and increasing regulation, including Basel IV capital requirements and EU 2050 net-zero targets. In particular, refurbishment or replacement of properties are an important step towards compliance with the EU net-zero targets, resulting in an increase in new developments and projects.

Moreover, we believe the industry's structural macroeconomic trends underpin increased demand. In the residential sector, for example, current European housing stock is deficient in quality and volume with a large proportion of existing housing being built prior to 1980 according to Eurostat. Supportive market trends also underpin demand for additional residential real estate. Demand has remained high due to population growth and the trend towards smaller household sizes, while increased life expectancy, urbanization, and migration has further contributed to this level of demand. According to Eurostat, the number of single adult households in the European Union increased by 21% between 2013 and 2023. According to the World Bank, across our core geographies, the population has increased by an average of 9% and life expectancy by 4.5 years since 2000. While governments have pledged to address housing shortages, the actual rate of housing completions has not kept up with demand.

Given these market opportunities, we seek to provide real estate lending solutions by offering borrowers a one-stop-shop across the entire life-cycle of real estate projects. Our core products comprise bridge mortgages ("**Bridging**"), development mortgages ("**Development Lending**") and medium-term stabilized mortgages ("**Term Mortgages**"). We focus on primary secured credit opportunities within the "living" real estate sector in our European geographies, which typically consists of multi-family residential build-to-rent, build-to-sell, purpose-built student accommodation, retirement living (including specialist care), co-living as well as hospitality and leisure assets.

Real Estate Equity Opportunities

The high interest rate environment since the COVID-19 pandemic has put significant downward pressure on real estate valuations. REITs suffered meaningfully during the central banks' recent tightening cycle, and a clear disconnect subsequently emerged between the Gross Asset Values reported by REIT managers and their underlying real estate valuations. The divergence between reported valuations and implied valuation has persisted for some time and serves as a further indicator of potential future stress to come. While it remains uncertain whether private assets will re-price to the same extent as public markets suggest, we believe, based on an implied decrease in property values of approximately 35% (albeit varying by property sector), that private real estate market valuations are likely to adjust further downwards. Transaction activity has been relatively subdued and this adjustment has yet to materialize, however, we are now beginning to see this dynamic unlock. A significant volume of real estate loans drawn in the era of cheap money are unlikely to be refinanced, putting pressure on recapitalization rates. This has increasingly caused sponsors and lenders with distressed properties in their portfolios to seek new capital solutions.

As the deleveraging of real estate markets continues, we expect that transaction volumes will return as bid-ask spreads gradually converge downwards. Opportunities are slowly resurfacing in our core geographies, many from distressed sellers grappling with debt refinancing issues or covenant breaches, and banks seeking to reduce their exposure to challenging loans. Despite the distressed nature of these sellers, we anticipate that many of the underlying assets supporting these opportunities are of high-quality, situated in strong locations requiring repositioning and operational improvements which prior owners were unable to finance. This is particularly true of assets in sectors where the interplay of supply and demand forces creates what we consider to be attractive investment opportunities, including in conventional sectors such as residential, infill logistics, leisure and hospitality, and other niche sectors such as data centers and interconnection facilities, student housing, and flexible living properties. Our Funds focus on the acquisition of properties, including but not limited to, multifamily apartment buildings, single-family homes, and for sale residential properties, where we seek to unlock value through operational improvements, asset repositioning and the successful execution of exit strategies.

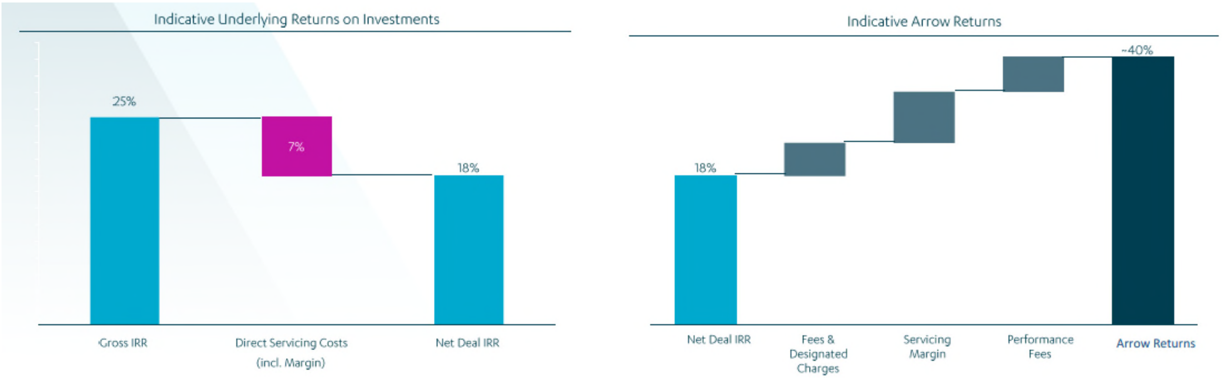
Our value-adding strengths across our three investment strategies

We have developed significant local know-how through our local platforms in the largest European NPL and non-core asset geographies: the United Kingdom, Ireland, the Netherlands, France, Portugal and Italy, and, more recently, Germany and Spain, two markets with significant NPL volumes. We have a strong track record of operating in each of these markets and across each asset class we invest in. Our business is bolstered by our experienced local professionals on the ground. We believe that our market-leading local platforms allow us to source potential market opportunities that are not available to our competitors. In addition, our origination capabilities allow us to target smaller transactions in sophisticated granular assets where the local knowledge provides a competitive advantage. As a result, we have fostered relationships that have allowed us to source approximately 78% of our portfolio from off-market deals based on total capital deployed (through our historic back-book and managed funds) since 2010.

Intrinsic benefits underlying an integrated fund management model

We have also been able to reap the intrinsic benefits underlying our integrated fund management model. Our co-investment level is typically 25% of the total portfolio investment under ACO I, a level which we reduced to 10% or lower under AREO I and ACO II (depending on the size of the investment), thereby further decreasing the capital requirement for the Group.

The charts below show indicative returns for a balance sheet investor with a Net Deal IRR of 18% and indicative returns for Arrow under our integrated asset manager model, showing higher Arrow returns driven by the capital-light returns of 30% (based on a 10% co-investment participation for subsequent funds), in each case, before any overhead allocation.



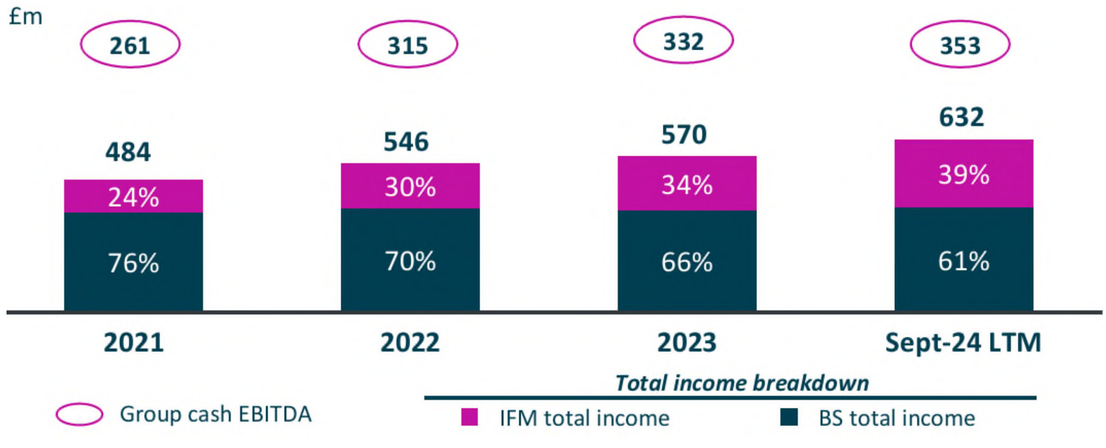
Source: Company information.

Strong Operational Delivery in Recent Years

The expansion of our capital-light servicing business, due to organic growth and successful M&A transactions, paired with the past success of our investment strategy and our co-investment strategy, have increased our revenue and cash flow generation capabilities.

For the twelve months ended September 30, 2024, capital-light income accounted for 39% of our total income, compared with 24% for the year ended December 31, 2021. We expect this to further increase given our strategic decision to end standalone on-balance sheet portfolio investments. Our current expectation is that we will primarily co-invest alongside Limited Partners across our Funds, thus limiting the capital intensity of our business. Our co-investment level is typically 25% of the total portfolio investment under ACO I, a level which we reduced to 10% or lower under AREO I and ACO II (depending on the size of the investment), thereby further decreasing the capital requirement for the Group.

The chart below shows the composition of our overall cash revenue since 2021.



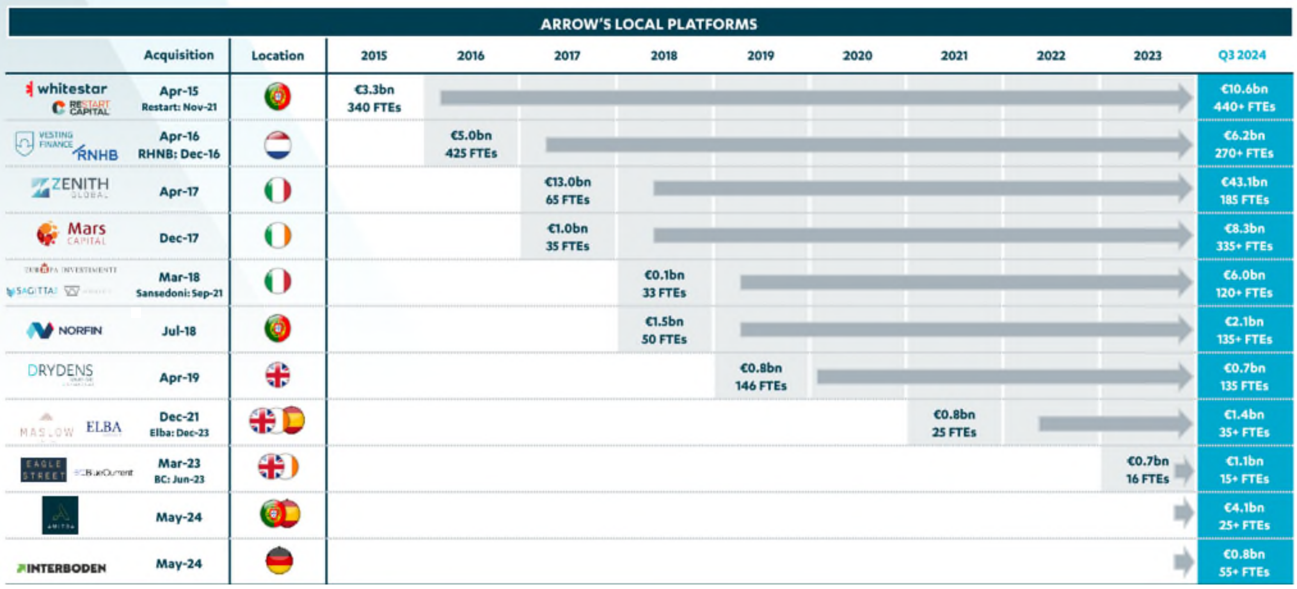
Note: "IFM" refers to our Integrated Fund Management business; "BS" refers to our Balance Sheet business.

Source: Company information.

Successful record in M&A and integration

Our growth, particularly in new geographies and investment capabilities, has been accelerated by a selective and disciplined M&A strategy. Since 2015, we have successfully completed more than 15 acquisitions. We consider acquisitions that we believe offer a strategic opportunity to accelerate our growth and that will generate high returns on investments. Recent acquisitions include Eagle Street and Details to support our real estate asset management business. With the acquisition of Interboden in June 2024, we entered Germany as our seventh geography. We strengthened our bridge lending capabilities by acquiring Maslow and Elba Finance. These acquisitions represent a diverse mix of geographies and expertise, allowing us to better service both existing and prospective investments.

The chart below sets forth our key acquisitions, as well as the corresponding AUM and full-time employees (“**FTE**”) growth since 2015.



Source: Company information.

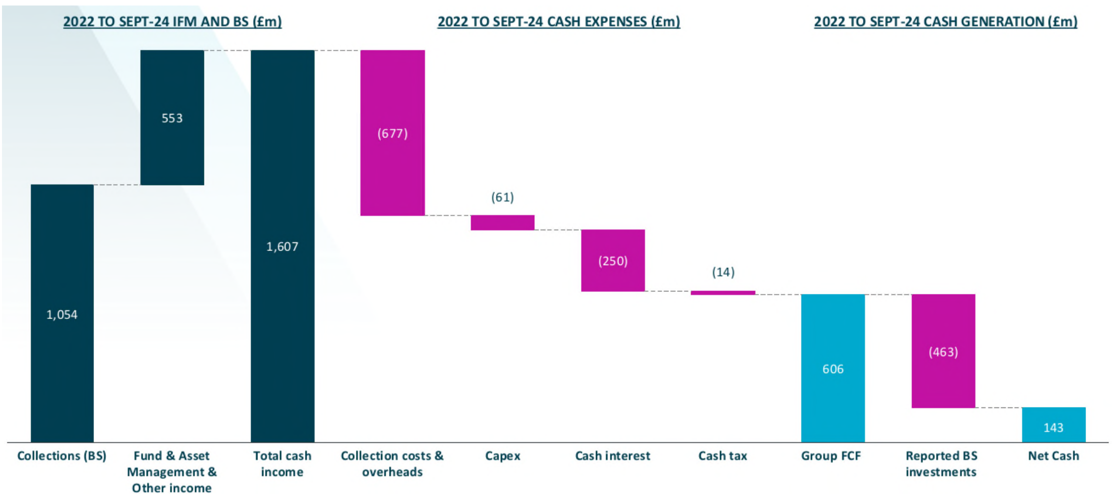
We believe this demonstrates our successful M&A track record to date.

Highly cash flow generative with conservative risk management

Our business model is highly cash generative and is underpinned by conservative risk management. During the nine months ended September 30, 2024, we generated £192.2 million (before Balance Sheet investments) of Adjusted Free Cash Flow. We recorded Adjusted Free Cash Flow of £210.2 million for the twelve months ended September 30, 2024.

We retain flexibility on the level of Adjusted Free Cash Flow that we reinvest in new portfolio acquisitions and, as such, are able to manage peaks and troughs in our liquidity requirements.

The chart below demonstrates the reconciliation of our Adjusted Cash Flow to net cash for the period from December 31, 2022 to September 30, 2024.



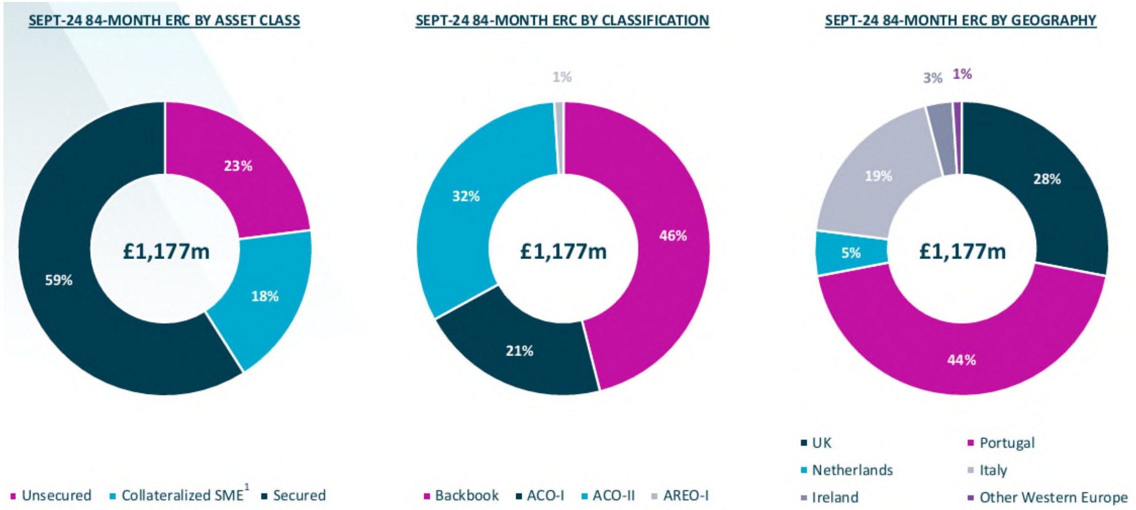
Source: Company information.

Strong and resilient balance sheet

We also benefit from a strong and resilient balance sheet, combined with strong collection performance. As part of our evolution as an integrated fund manager, under our Balance Sheet segment, we now primarily co-invest in our Funds. This co-invest model requires lower balance sheet investment volumes than our historic levels, which we believe will allow us to reduce Net Debt over the medium term.

Our balance sheet portfolios investments (including co-investments) are diverse in terms of asset class, classification and geography. As of September 30, 2024, 77% of our 84-month ERC is backed by secured assets and collateralized positions. Of our 84-month ERC as of September 30, 2024, 28% comes from the United Kingdom, 44% from Portugal, 19% from Italy, 5% from the Netherlands and 3% from Ireland.

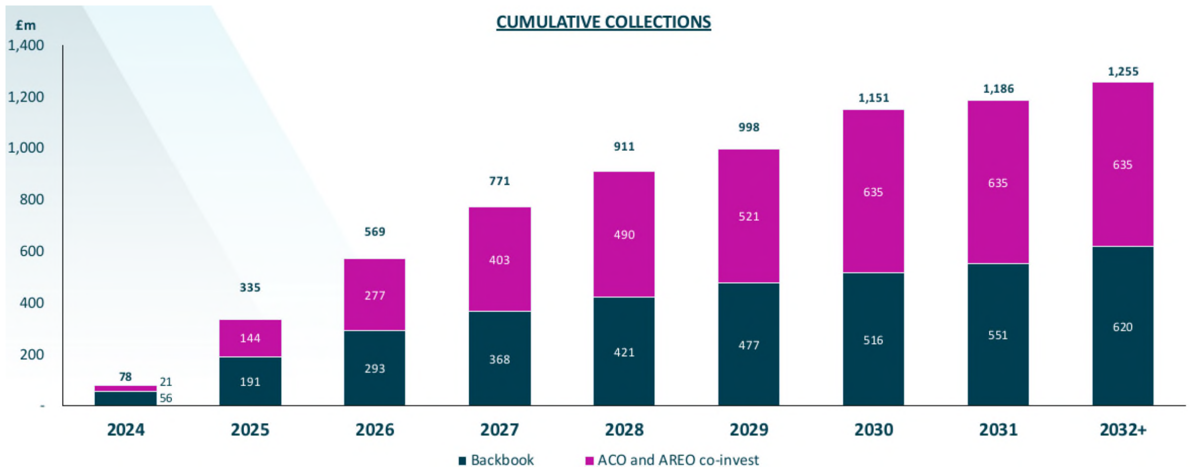
The graphics below provide further detail on the asset class, classification and geography of our portfolio investments as of September 30, 2024.



Source: Company information.

(1) Collateralized unsecured primarily represent claims in bankruptcy situations originated by Europa Investimenti.

Furthermore, our collection performance is strong and continues to be above 100% ERC. In the years ended December 31, 2021, 2022 and 2023, our Balance Sheet Cash Collections were equal to £367 million, £380 million and £375 million, respectively, and realized 112%, 109% and 133% of our 84-month ERC corresponding to the relevant period, respectively. As of September 30, 2024, our 84-month ERC stood at £1,177 million.



Source: Company information.

Strong and embedded governance model

We value the importance of good governance, including the regulatory environment in which we operate and with respect to our internal corporate governance.

In 2014, we implemented our first corporate social responsibility agenda, formalizing rules regarding the fair treatment of our customers. Over the years, we have joined various industry bodies and networks, including Cifas, the Finance and Leasing Association and the CSA, and further bolstered our customer engagement efforts in a deliberate effort to strengthen our appreciation of the vulnerability of some of our customers. In 2020, we introduced ESG standards across the Group that reflect our transformation to an integrated fund manager codifying responsible business practices, including the establishment of an Executive Sustainability and ESG Committee, promoting an inclusive organizational culture, and standards for responsible investing, including the introduction of ESG-focused memoranda into our investment process and the implementation of a data-driven sustainability development investment analysis. For more details on our ESG strategy, see "*—Environmental, Social and Governance ("ESG") focus driving better operational outcomes*" below.

To support our employees in anticipating and mitigating risks in our daily operations, we operate a "three lines of defense" model across our local platforms and centrally at the Group level, which formalized the basis around which we make and execute decisions while ensuring we maintain a focus on responsible lending, responsible operations and customer conduct issues throughout all parts of the business. This approach runs through our culture and values and, therefore, also manifests itself in the way we conduct our business. For more details on our regulatory environment and our three lines of defense model, see "*Regulation and Compliance—Our Risk Management and Compliance—Three lines of defense model.*"

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

TDR Capital as a key supporting shareholder

Under the private ownership of TDR Capital, we accelerated our transition to an integrated fund manager model. We benefit from TDR's experience and we believe that TDR will facilitate to accomplish our identified strengths and further improve our business model.

TDR is a leading private equity firm with over €15 billion of assets under management and typically invests in strong European companies that are leaders in their markets. TDR has a 22-year track record of working collaboratively with portfolio company management teams to deliver on a shared vision for growth and value creation, leveraging its investment, operational and data science expertise. TDR not only invests capital in portfolio companies, but also provides expert team resources to help bring about sustainable, positive and transformational change within its businesses.

Our Strategy

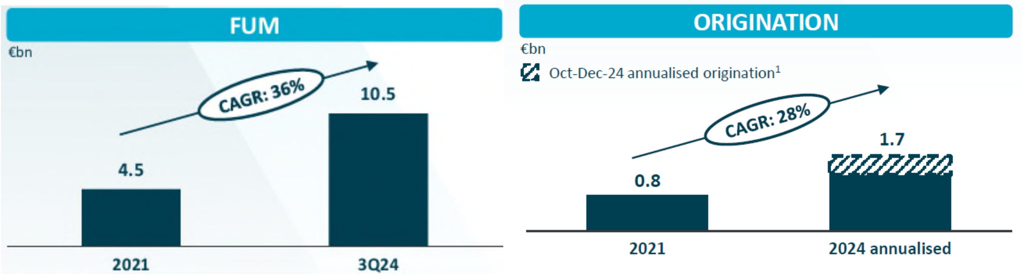
Continue to scale our sustainable fund management platform

We consider the creation of the Fund Manager in 2019 and its development over the following years central to the fundraising for ACO I, ACO II, AREO I, AREO II and ALO I and critical to our transition of becoming an integrated fund manager with a capital-light business model. Our proposition to Limited Partner investors is both distinctive and attractive, given our track record over the last 20 years, our target of high-return niches in off-market trades, our use of knowledge, expertise and relationships in each core geography of our local platforms to drive performance, as well as our underwriting discipline.

As of September 30, 2024, our Limited Partners had a diverse geographical background, with 50%, 21%, 17% and 12% of our Limited Partners coming from Europe, the Americas, the Middle East, and other regions, respectively, and were diverse investor types, with 32%, 31%, 7% and 29% of our Limited Partners being sovereign wealth funds, pension funds, insurance companies and other investors, respectively.

Since our Acquisition by TDR Capital, our FUM has more than doubled from €4.5 billion as of December 31, 2021 to €10.5 billion as of September 30, 2024. Originations have almost doubled since the acquisition from €0.8 billion in the year ended December 31, 2021 to an annualized run-rate of €1.7 billion in the year ended December 31, 2024. While our total income were broadly flat from £331 million to £322 million between the year ended December 31, 2021 and the twelve months ended September 30, 2024, our "capital light" Integrated Fund

Management segment's contribution to total income nearly doubled from 39% for the year ended December 31, 2021 to 69% for the twelve months ended September 30, 2024. During the twelve months ended December 31, 2023, our "capital light" Integrated Fund Management segment contributed 68% of our total income, while the Balance Sheet segment contributed 32% of our total income.



Source: Company information.

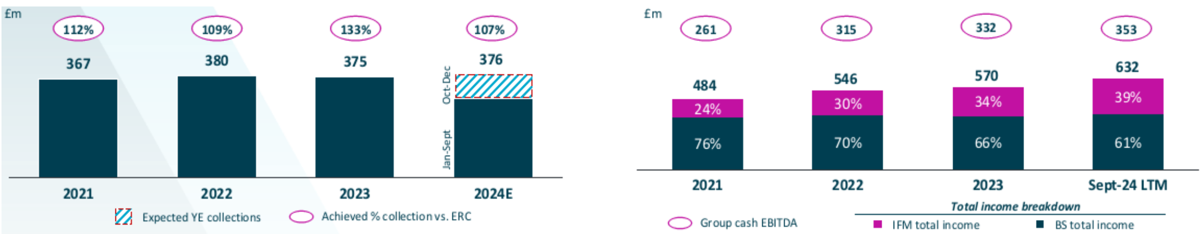
(1) October-December 2024 origination is calculated based on annualized origination from Janruary to December 2024 (€1.25 billion).

We have raised five funds and intend to raise additional subsequent funds, which we expect to be on a larger scale and we plan to further diversify our Limited Partner investors with the goal of reaching our FUM target of approximately €15 billion in the medium-term. We expect to commence the fundraising for our third credit opportunity fund, ACO III, during 2025. We aim for originations to almost double from current annualized levels of €1.7 billion to €3 billion in the medium-term. We believe that NAV will grow to more than €6 billion with an average return on co-invested capital by Arrow of 40% (including returns on fund co-investment and including management, servicing and performance fees, alongside balance sheet returns). This target is indicative and there can be no assurance that we will be able to achieve this target within the planned timeframe or at all. See "*Forward-Looking Statements*," "*Risk Factors—Risks relating to our Business, Industry and Regulations—Poor performance by our Funds may adversely affect our management fees and carried interest*" and "*Risk Factors—Risks relating to our Business, Industry and Regulations—This Exchange Offer Memorandum includes forward-looking statements, certain projections, targets and assumptions in forecasts that involve risks and uncertainties*."

Deleveraging our business

By scaling our capital-light business, we have deleveraged our business and we are committed to continuing to delever our business further in the future.

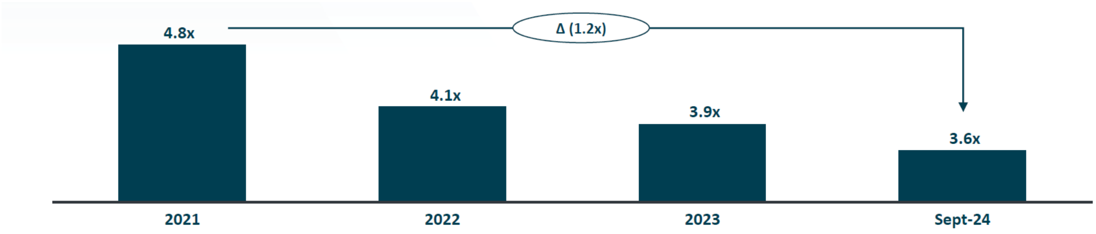
Our collection performance is strong and continues to be above 100% ERC. In the years ended December 31, 2021, 2022 and 2023, we realized 112%, 109% and 133% of our 84-month ERC corresponding to the relevant period, respectively. At the same time, we increased the capital-light businesses' percentage of cash revenues from 24% in the year ended December 31, 2021 to 34% in the year ended December 31, 2023 and to 39% in the twelve months ended September 30, 2024.



Source: Company information.

(1) As of September 30, 2024.
(2) Based on October to December 2024 ERC of £78 million

Strong Balance Sheet Cash Collections combined with a growing capital-light business model allowed us to reduce our Secured Net Debt to Adjusted EBITDA ratio from 4.8 times as of December 31, 2021 to 3.6 times as of September 30, 2024.



Source: Company information.

Having completed the transition to becoming an integrated fund manager business, we are aiming towards further reducing our Leverage to 3.0 times over the medium term. This target is indicative and there can be no assurance that we will be able to achieve this target within the planned time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks relating to our Business, Industry and Regulations—This Exchange Offer Memorandum includes forward-looking statements, certain projections, targets and assumptions in forecasts that involve risks and uncertainties.*" We believe that our shift to an integrated asset manager model has demonstrated our ability to increase our earnings through the growth in our capital-light businesses, without the need to grow our balance sheet. We believe that this will continue to lead to our ability to reduce our Leverage and Net Debt and, thereby, improve our financial profile.

Credit and Real Estate Investment Strategy – Prioritize investments in high-value, granular niche products in our core geographies whilst creating opportunities for platform servicing revenue

We intend to continue our investment strategies by focusing on non-core and distressed credit assets, including NPLs and bankruptcies. Our granular investment approach allows us to reposition or repurpose underinvested assets that have the potential to create additional value. It also focuses on selective exposure to specialized and fragmented asset classes with stalled development, and real estate properties that can be aggregated to facilitate arbitrage opportunities. Additionally, we are able to offer synergies through the fund and asset management services of our local platforms. Our local operating teams are experienced and have expertise in our local markets and the asset classes in which we operate.

We continue to seek off-market investment opportunities (with approximately 78% off-market deals based on total capital deployed accounting for investments on behalf of Arrow (through our historic back-book and managed funds) and fund investments since 2010), utilizing our origination capabilities, relationships and local knowledge. This allows us to expand our investments despite rarely participating in auction processes. We specifically target small deals in sophisticated granular asset classes, with an average deal size of less than €15 million, and aim to complete deals for a price below par. By targeting such opportunities, we aim to maximize reward in relation to risk and create a competitive advantage over other players in the market.

Real Estate Lending Investment Strategy – Our offerings in real estate lending allow us to act across the entire lifecycle of real estate projects

Our real estate lending investment strategy focuses on proprietary, secured credit investments in the living sector. We seek to benefit from the mid-market financing gap which we believe has been left by the retreat of traditional lending banks due to regulatory capital pressures.

Our platforms provide us with on-the-ground origination capabilities due to our local presence and relationships in each of our core geographies. Our approach is tailored to address the capital needs of the real estate sector by providing full life cycle real estate lending solutions. For borrowers with short-term liquidity requirements, we provide bridge financing (30-45% target allocation) with an average term of one year. Bridge lending solves time sensitive funding needs as it allows transactions to be closed in less than four weeks and is often used to finance property refurbishments projects, acquisitions or energy efficiency enhancements. This type of lending can help solve short-term liquidity needs during the property vacancy and income stabilization phase of a project. We also provide development lending (30-45% target allocation) with an average loan term of two to three years for borrowers with medium-term funding needs to allow developers to deliver their projects. Development lending is often used to provide capital for land acquisition, construction costs, interest capitalization and fees. Development loans are drawn in arrears with milestones and covenants to protect lenders. For longer-term ownership needs or special situations, we provide stabilized mortgages (10-25% target allocation) with a longer average term. Stabilized mortgages are a longer term financing option commonly used to assist with the acquisition of cash flow generative properties or to refinance recently completed developments where sponsors are looking to retain the asset and require time to maximize occupancy and net operating income. Between January 2010 and September 2024, we have a track record, which incorporates period prior to ownership of certain platforms by Arrow, covering over 27,750 loans across all three lending strategies with approximately €15.8 billion aggregate value. On average, each investment of our Funds is below €5 million.

We focus on capital preservation by participating in fully secured lending with conservative LTVs of around 60-65% against real estate assets. We also aim for greater target allocations for short and medium term lending with higher average target returns at 12-15% and 14-16% gross investment level IRRs respectively. Moreover, we believe our investments have attractive risk/adjusted returns driven by increasing base rates being passed through and recycling potential due to shorter dated instruments. We also maintain a strong distribution profile with structuring fees, interests and shorter-term investments providing for quarterly cash distributions and faster return of capital post-investment period.

Real Estate Equity Investment Strategy – Extensive work-out and restructuring capabilities through our history as a distressed investor to implement meaningful value-add and repositioning strategies of real estate equity assets.

Our aim is to generate opportunistic returns by acquiring granular assets and off-the-run properties by focusing on small-mid cap investments which historically have outperformed large-mega cap investments by approximately 3% regardless of the market cycle. We source such investments through our on-the-ground origination capabilities from our local platforms, facilitating access to the highly fragmented and localized markets.

We seek to identify and capitalize on thematic investment opportunities within the real estate market. Many of these opportunities involve using our extensive work-out and restructuring capabilities we have acquired over our history as a distressed investor and repositioning or re-purposing underinvested and well-located assets with value creation potential. We look to participate in recapitalization transactions, which involve restructuring the capital structure of existing real estate projects, or entities, with high-quality underlying assets that are facing de-leveraging events. This may include providing fresh equity or debt capital to stabilize distressed assets to bridge financing shortfalls upon loan maturity, facilitate ownership changes, or optimize capital structures to seek to enhance returns. We believe recapitalizations offer the potential to unlock value by addressing capital constraints and improving the financial health of underlying properties, the level of indebtedness of which we believe is too high or that we believe are undercapitalized.

We also target further investment opportunities. For example, we seek to identify and acquire "stranded" real estate assets which we believe have unrealized potential trapped in complex ownership structures, including funds, special purpose vehicles and side pocket vehicles owned by non-natural owners of real estate. These assets may be overlooked due to mismanagement, lack of capital investment, or market dislocation. Through active management and strategic repositioning, our Funds aim to unlock value by supporting the income-generating potential or the redevelopment opportunities of these assets. We may also look to other types of opportunities such as lenders with newly owned foreclosed properties, failed processes and pulled auctions, or go-private style transactions, among others.

Through all of these strategies, we expect to identify high-quality properties and acquire them at discounted prices.

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

Through our governance, organizational structure and technology, we seek to create an organization that can adapt to change and remain agile to capitalize on new market opportunities. Our leaders and personnel are the core of our organization. We promote flexible working structures, as well as robust training and development. We continue to strengthen our top and middle management and have made a number of key hires from other alternative asset managers and other financial institutions over recent years.

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

We are committed to being a responsible business and investor that engages with its stakeholders on material sustainability matters, including ESG issues. Our focus on ESG is firmly embedded in our purpose and culture and we believe this focus will drive better operational outcomes. In 2021, our Fund Manager became a signatory to the UN Principles for Responsible Investment ("**PRI**"). To embed the principles of the UN PRI into our investment processes, a 'Responsible Investment Policy' was formally approved by our Fund Manager's board in 2022 which was further updated during 2023. Our approach to responsible investment is consistent throughout selection of investment opportunities, the ongoing portfolio management and stewardship practices and through to the point of exit where applicable. During 2023, our Fund Manager completed the annual reporting process to the PRI for the first time and has received positive scores reflecting the high level of focus placed on governance and oversight throughout the investment process.

In 2023, we formalized our Sustainability & ESG Forum into a Sustainability and ESG Committee, further embedding sustainability into our governance model. The Committee is comprised of members of the Group's Executive Leadership team and chaired by Monique O'Keefe, Chair of AGG Capital Management and Chief Risk & Governance Officer. See "*Business—Environmental, Social and Governance*." Our investment and underwriting professionals are responsible for incorporating material ESG factors into the underwriting of each investment in a manner consistent with our 'Responsible Investment Policy' and other applicable documents, including governing documentation entered into with Limited Partners, and applicable law.

The environmental component of our ESG strategy focuses on the evolution and development of our internal policies and due diligence standards, coupled with our ambition of net-zero carbon dioxide emissions. ESG factors are integrated into our investment evaluation and ongoing portfolio management processes, and we currently make disclosures in accordance with Article 8 of the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088). We believe this is consistent with our aim to support positive change in the local environments and communities influenced by our investments.

Additionally, regulators require assurance over firms' policies, processes and practices and will act against firms that are non-compliant. Customers expect fair outcomes, whilst portfolio sellers and third-party asset management clients often require assurance that their customers will be handled responsibly and, therefore, acting responsibly is increasingly becoming a competitive advantage. We recognize this, and the primary focus of the social component of our ESG strategy is ensuring fair customer treatment and customer satisfaction. Further, we aim to maintain our commitment to diversity and inclusion and building a human-centric workplace and provide a positive work environment by supporting a diversity of working styles and appealing to a wider talent pool while retaining talented people who want autonomy and choice.

As to the governance component, we believe our risk management framework will deliver greater accountability and improve performance as we seek to create an efficient organization that can adapt to change and remain agile to capitalize on new market opportunities. We have vertically re-aligned our governance structure by empowering our local platforms with accountability over their activities undertaken locally and monitoring and assessment of the local regulatory and legal requirements.

The graphic below sets out our memberships, partnerships, key achievements and recognitions.

Source: Company information.

The Transactions

We intend to complete the following transactions (collectively, the "**Transactions**"):

- the Exchange Offer as described in this Exchange Offer Memorandum, including (i) the valid tender of the entire aggregate principal amount of the Regulation S Existing Floating Rate Notes and Regulation S Existing Euro Fixed Rate Notes, in each case held by Eligible Holders in the Exchange Offer and the issuance of the corresponding aggregate principal amount of the Exchange Notes on the Settlement Date, (ii) payment of the Cash Consideration, along with accrued and unpaid interest on the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly tendered and accepted in the Exchange Offer on the Settlement Date, and (iii) execution and delivery of the New Indenture on the Settlement Date;

- on or about the Settlement Date, the completion of the Tender Offers;

- on or about the Settlement Date, the completion of the New Money Notes Offering;

- the execution and delivery of the New Revolving Credit Facility Agreement, as described in "*Description of Other Indebtedness—New Revolving Credit Facility Agreement*," on or about the Settlement Date; and

- the payment of costs, fees and expenses in connection with the foregoing transactions, including the fees and expenses incurred in connection with the Exchange Offer and the other Transactions.

About the Group

Sherwood Parentco Limited (the "**Company**" or the "**Parent**") is a private limited company incorporated under the laws of England and Wales on March 29, 2021, for the purposes of carrying out the activities of a holding company. The Parent's company number is 13299333, and its registered office is Belvedere, 12 Booth Street, Manchester, United Kingdom, M2 4AW. The Parent has no material assets or liabilities, other than those incurred in connection with its incorporation, the Acquisition and the Transactions, and has not engaged in any activities other than those related to its formation, the Acquisition and the Transactions.

Sherwood Financing plc (the "**Issuer**") was incorporated under the laws of England and Wales on July 6, 2021, for the purpose of facilitating the Acquisition and the offering of the Existing Notes and the use of proceeds therefrom. The Issuer is a wholly owned finance subsidiary of the Parent and, following the completion of the Transactions, will have no material assets or liabilities other than those related to the Outstanding Existing Notes, the New Money Notes, the Exchange Notes and certain intercompany proceeds loan agreements and will not have engaged in any material activities other than those related to its incorporation, the Acquisition, the issuance of the Existing Notes, the Transactions and the use of the proceeds therefrom. The Issuer's company number is 13497082, and its registered office is Belvedere, 12 Booth Street, Manchester, United Kingdom, M2 4AW.

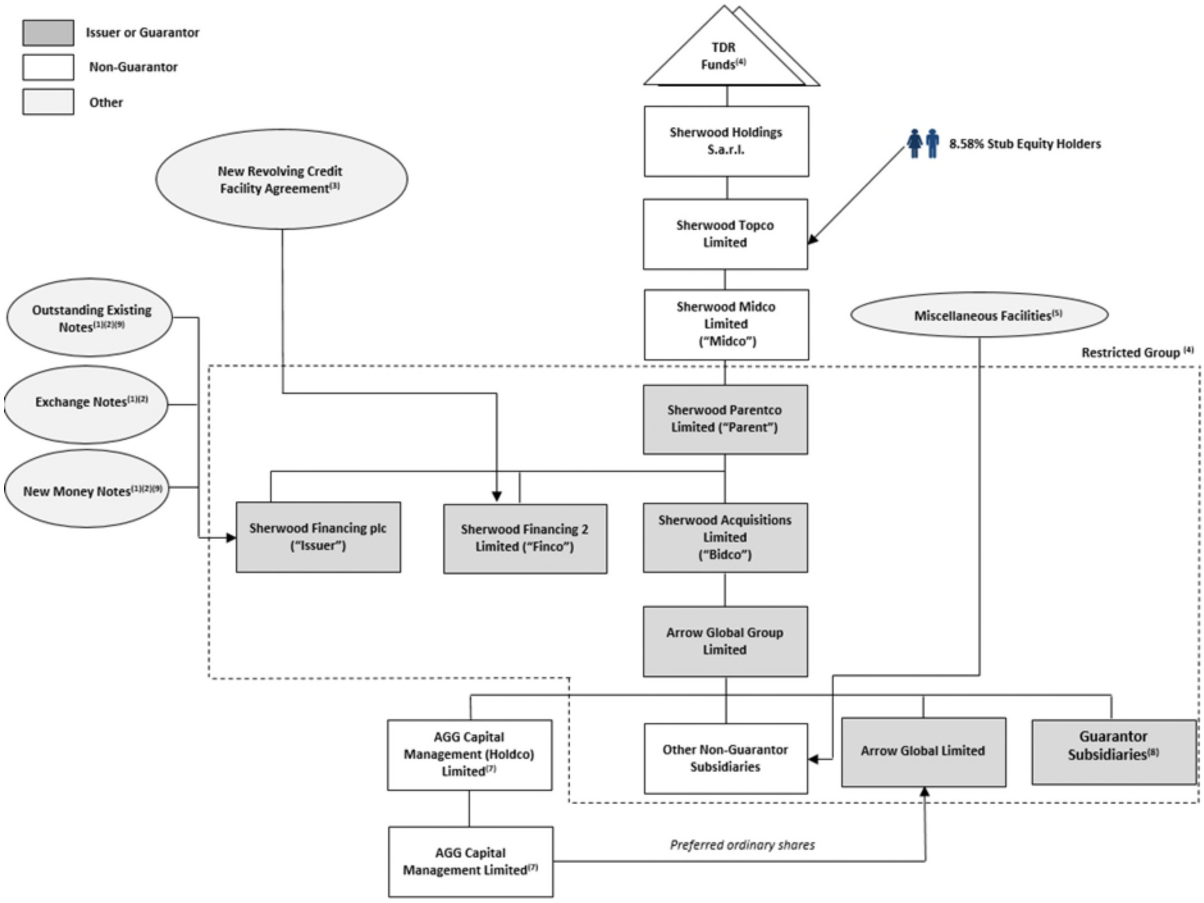
About TDR Capital

TDR Capital is a leading private equity firm that managed funds of up to €15 billion of assets under management as at the end of 2023 and is based in the United Kingdom. It was founded in 2002 by Manjit Dale and Stephen Robertson, who were previously partners at DB Capital Partners. TDR Capital has an experienced team of investment professionals and operating partners and has a low-volume investment strategy based on principles developed by the investment team over the past decade. TDR Capital seeks to spend significant resources on each investment and to focus on operational excellence through a tested and integrated operating partner model.

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

CORPORATE AND FINANCING STRUCTURE

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



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(1) The Outstanding Existing Notes were issued under the Existing Indenture, and the Exchange Notes and the New Money Notes will be issued under the New Indenture. See "*Description of the New Notes.*" On or about the Settlement Date, the Exchange Notes will be guaranteed jointly and severally on a senior basis by the Guarantors. The Guarantors and the Issuer will also guarantee on a senior secured basis the Outstanding Existing Notes, the New Money Notes, the New Revolving Credit Facility and certain hedging obligations and certain operating facilities, if any. In addition, and save for the Luxembourg Guarantor, the Guarantors and the Issuer will guarantee the Outstanding Existing Notes, if any, on a senior secured basis and *pari passu* basis with the Note Guarantees of the New Notes and the guarantees under the New Revolving Credit Facility Agreement. However, any debt in connection with the Outstanding Existing Notes is subject to the equalization provisions in the Intercreditor Agreement (as defined herein) and the Outstanding Existing Notes shall therefore receive the indirect benefit of any claims made against the Luxembourg Guarantor.

(2) Subject to the Intercreditor Agreement, the operation of the Agreed Security Principles, certain perfection requirements, certain limitations pursuant to applicable laws, the terms of the applicable Security Documents and the grant of further Permitted Collateral Liens, on or about the Settlement Date, the Exchange Notes, will be secured by the Collateral. The Collateral (as defined herein) will also secure the obligations under the New Money Notes, the New Revolving Credit Facility Agreement (as defined herein), the Outstanding Existing Notes, if any, certain hedging obligations, if any, and certain operating facilities, if any. Pursuant to the terms of the Intercreditor Agreement and subject to the terms of the New Indenture, any liabilities in respect of obligations under the New Revolving Credit Facility Agreement and certain hedging obligations and certain operating facilities that are secured by the Collateral will receive priority with respect to any proceeds received upon any enforcement action over the Collateral. The Collateral may be released in circumstances described in "*Description of the New Notes—Security*." In the event of enforcement of the Collateral, the holders of the Exchange Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility Agreement and counterparties to certain hedging obligations and certain operating facilities have been repaid in full. See "*Description of the New Notes—Security*."

(3) On or about the Settlement Date, the Issuer will enter into the New Revolving Credit Facility Agreement. Under the terms of the Intercreditor Agreement and subject to the terms of the New Indenture, lenders under the New Revolving Credit Facility Agreement and certain operating facilities, if any, and counterparties to certain hedging obligations, if any, will receive priority with respect to any proceeds received upon any enforcement action over the Collateral. See "*Description of Other Indebtedness—Intercreditor Agreement*."

(4) The Group, comprising the Parent and its subsidiaries, including the Issuer, are controlled by TDR Capital. TDR Capital indirectly holds 91.42% beneficial ownership and voting rights in the Parent and the Stub Equity Shareholders own 8.58% of the beneficial ownership

and voting rights in the Parent. On October 11, 2021, Bidco, a directly wholly owned subsidiary of the Parent, completed the Acquisition by way of a court-sanctioned scheme of arrangement under Part 26 of the UK Companies Act 2006.

(5) Certain entities in the Group are borrowers under the Miscellaneous Facilities. As of September 30, 2024, the outstanding amounts under the Miscellaneous Facilities were £21.9 million. The indebtedness incurred under the Miscellaneous Facilities will remain outstanding on the Settlement Date.

(6) Not all of the subsidiaries of the Parent will guarantee the Exchange Notes, the other New Notes and the New Revolving Credit Facility. As of September 30, 2024, as adjusted to give effect to the Transactions, the subsidiaries of the Parent that are not expected to guarantee the New Notes would have had £21.9 million (equivalent) of third party debt outstanding consisting of amounts drawn under the Miscellaneous Facilities and other borrowings. In addition, the guarantees and collateral granted by Quest Topco Limited, Quest Bidco Limited and Quest Newco Limited, which support the Existing Notes, will not be extended to also support the New Notes, as following the sale of business and/or assets held by such entities, they are non-trading holding companies without any material assets or liabilities.

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

(8) The New Notes, including the Exchange Notes will be guaranteed on a senior basis on the Settlement Date, by the Parent, Finco and Bidco, as well as Arrow Global Group Limited (formerly known as Arrow Global Group plc), Arrow Global One Limited, Arrow Global Guernsey Holdings Limited, Arrow Global Investments Holdings Limited, Arrow Global (Holdings) Limited, Arrow Global Limited, Arrow Global Investments Holdings Benelux B.V., Fiditon Holding B.V., Incassobureau Fiditon B.V., Arrow SMA LP Limited, Arrow SMA GP Limited, Arrow Global SMA I LP, AGHL Portugal Investments Holdings, S.A., Whitestar Asset Solutions, S.A. and Arrow Global Luxembourg Holding S.à r.l., (together, the "**Guarantors**"). See "*Description of the New Notes—Note Guarantees.*" The Guarantors and the Issuer will also be guarantors under the New Revolving Credit Facility Agreement and certain hedging obligations and operating facilities, if any. In addition, the Guarantors other than the Luxembourg Guarantor also guarantee the Outstanding Existing Notes, if any, on a senior secured basis and *pari passu* with the Note Guarantees of the New Notes and the guarantees of the New Revolving Credit Facility Agreement. However, any debt in connection with the Outstanding Existing Notes is subject to the equalization provisions in the Intercreditor Agreement (as defined herein) and the Outstanding Existing Notes shall therefore receive the indirect benefit of any claims made against the Luxembourg Guarantor. As of and for the twelve months ended September 30, 2024, the Issuer and the Guarantors contributed 58% of the Group's Adjusted EBITDA and accounted for 69% of the Group's investment portfolio assets.

(9) Concurrently with this Exchange Offer, the Issuer is proposing to issue: (i) new senior secured floating rate notes due 2029 (the "**New Money Floating Rate Notes**"), (ii) new senior secured euro fixed rate notes due 2029 (the "**New Money Euro Fixed Rate Notes**") and (iii) new senior secured sterling fixed rate notes due 2029 (the "**New Money Sterling Fixed Rate Notes**" and, together with the New Money Floating Rate Notes and the New Money Euro Fixed Rate Notes, the "**New Money Notes**" and, together with the Exchange Notes, the "**New Notes**") in a separate offering (the "**New Money Notes Offering**"), in each case, for cash consideration, and under the indenture to be dated as of the Settlement Date (the "**New Indenture**"). The Exchange Notes and the New Money Floating Rate Notes, if any, will have identical terms and form a single class issued under the New Indenture on the Settlement Date. In addition, concurrently with this Exchange Offer and the New Money Notes Offering, the Issuer is also making an offer to eligible holders of the (i) Existing Floating Rate Notes, (ii) Existing Euro Fixed Rate Notes and (iii) Issuer's 6.000% Senior Secured Notes due 2026 (the "**Existing Sterling Fixed Rate Notes**" and, together with the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes, the "**Existing Notes**"), in each case, held in Regulation S global notes format, to tender such Existing Notes held in Regulation S global notes format for repurchase by the Issuer (the "**Tender Offers**"). The settlement of the Exchange Offer and the settlement of the Tender Offers are each conditioned upon, among other things, satisfaction of the Minimum Condition. It is expected that the New Money Notes Offering, the Exchange Offer and the Tender Offers will settle simultaneously on the Settlement Date.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables summarize the Group's historical consolidated financial and other information as of the dates and for the periods indicated, which has been derived from the 2021 AGGL Financial Statements, the 2021 Parent Consolidated Financial Statements, the 2022 Consolidated Financial Statements, the 2023 Consolidated Financial Statements and the Unaudited Consolidated Condensed Financial Statements, and the related notes, in each case, included elsewhere in this Exchange Offer Memorandum.

TDR Capital completed the Acquisition of our Group on October 11, 2021. Prior to our Acquisition, we reported our financial results, and prepared our audited consolidated financial statements at the level of Arrow Group Global Limited (previously known as Arrow Group Global plc) ("**AGGL**") and its subsidiaries. Following the completion of our Acquisition, and effective from October 11, 2021, we changed our consolidation perimeter from AGGL to the Parent, and commenced reporting our financial results, and preparing our audited consolidated financial statements at the level of the Parent and its subsidiaries. However, the audited consolidated financial statements of the Parent and its subsidiaries as of and for the period from March 29, 2021 (the date of incorporation of the Parent) to December 31, 2021 (the "**Parent 2021 Financial Statements**") contain the operating results of the Group from October 11, 2021 only. In addition, prior to October 11, 2021, the Parent and its then subsidiaries (which includes the Issuer) had no revenue-generating activities and no business operations, material assets or liabilities other than assets and liabilities acquired or incurred in connection with their incorporation. As a result, in addition to the Parent 2021 Financial Statements, we have included elsewhere in this Exchange Offer Memorandum, the audited consolidated financial statements of AGGL and its subsidiaries as of and for the period from January 1, 2021 to December 31, 2021 (the "**AGGL 2021 Financial Statements**"), which contain the operating results of the Group for the period from January 1, 2021 to December 31, 2021. For the year ended December 31, 2021, we have also presented below certain unaudited combined financial information prepared on a non-statutory basis, which is calculated by combining (i) unaudited consolidated financial information of AGGL and its subsidiaries for the period from January 1, 2021 to October 10, 2021, derived from the AGGL 2021 Financial Statements, which covers the operating results of the Group for the year ended December 31, 2021 prior to the completion of our Acquisition by TDR Capital on October 11, 2021 and (ii) unaudited consolidated financial information of the Parent and its subsidiaries for the period from October 11, 2021 to December 31, 2021, derived from the Parent 2021 Financial Statements, which covers the operating results of the Group for the year ended December 31, 2021 following the completion of our Acquisition by TDR Capital on October 11, 2021 (the "**Combined 2021 Financial Information**"). We believe that the presentation and discussion of the Combined 2021 Financial Information is meaningful to the reader as it allows the results of operations to be analyzed to comparable periods and represents how management evaluates the business. Although management views these periods on a combined basis for purposes of evaluating operating results, the reader is cautioned that these are considered to be separate periods for financial reporting purposes and they should be evaluated separately as applicable. The Combined 2021 Financial Information excludes the impact of non-cash adjustments to asset and liability valuations that have been recognized directly in the Parent 2021 Financial Information, as required for the Parent's acquisition of the Arrow Global Group under IFRS 3 Business Combinations. As a result of fair value accounting applied at the date of the Acquisition required by IFRS, the historical consolidated financial information of Parent and its subsidiaries, as reflected in the Parent 2021 Financial Statements has an accounting basis that is different from the accounting basis of the historical consolidated financial information of AGGL and its subsidiaries. Except as otherwise specified above, the Combined 2021 Financial Information is derived from combined financial statements prepared by applying the accounting policies and presentation that were applied in the preparation of the AGGL 2021 Financial Statements and the Parent 2021 Financial Statements. The Combined 2021 Financial Information has not been audited or reviewed in accordance with any generally accepted auditing standards. Any reliance you place on this information should fully take this into consideration.

To aid the comparability of relevant financial results for the year ended December 31, 2021 with subsequent periods, and unless otherwise specified, all historical consolidated income statement and cash flow-related information presented in this Exchange Offer Memorandum for the year ended December 31, 2021 are derived from the Combined 2021 Financial Information, and all balance sheet-related information presented below as of December 31, 2021 is derived from the Parent 2021 Financial Statements.

We have also presented certain information for the twelve months ended September 30, 2024, in order to facilitate a comparison of the Group's results of operations for such periods with other periods presented. The information for the twelve months ended September 30, 2024, has been derived by subtracting the Group's nine months ended September 30, 2023, results of operations data from the Group's results of operations data for the year ended December 31, 2023, and adding the Group's results of operations data for the nine months ended September 30, 2024.

The Group's results of operations for prior periods are not necessarily indicative of the results to be expected for any future period. For further information on the basis of presentation of the Group's consolidated financial statements, see "*Presentation of Financial and Other Information*." Certain of the Group's subsidiaries will be Unrestricted Subsidiaries as of the Settlement Date, but will be consolidated in the Parent's consolidated financial statements for future periods. However, these Unrestricted Subsidiaries will remain outside of the Restricted Group. In particular, ACMH, ACML (which is ACMH's direct subsidiary and the Fund Manager of our existing Funds) and ACML's subsidiaries, under the Existing Indenture are, and on the Settlement Date, under the New Indenture will be, Unrestricted Subsidiaries. As a result, these Unrestricted Subsidiaries will not be subject to the restrictions under the New Indenture. No separate financial information for ACMH and its subsidiaries are included in this Exchange Offer Memorandum and the results of these Unrestricted Subsidiaries are consolidated in our Consolidated Financial Statements.

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	AGGL	**Combined**[≠]					
	For the year ended December 31,		**For the year ended December 31,**		**For the twelve months ended September 30,**	**For the nine months ended September 30,**	
	2021		**2022**	**2023**	**2024**	**2023**	**2024**
			(£'000)		*(£'000)*	*(£'000)*	
Income from portfolio investments at amortized cost	134,101	132,758	97,812	55,462	47,720	41,621	33,879
Fair value gains on portfolio investments at FVTPL	62,451	62,451	21,351	32,433	47,817	25,180	40,564
Impairment gains/(losses) on portfolio investments at amortized cost	2,709	17,508	9,130	(16,883)	(8,281)	(7,198)	1,404
Income/(loss) from real estate inventories	1,963	1,963	2,072	2,403	4,548	(79)	2,066
Share of profit in portfolio joint venture	—	—	—	7,266	12,914	3,274	8,922
Total income from portfolio investments	**201,224**	**214,680**	**130,365**	**80,681**	**104,718**	**62,798**	**86,835**
Integrated fund and asset management income	116,477	116,477	162,323	193,626	246,530	140,405	193,309
Profit on disposal of held for sale assets and liabilities	—	—	—	11,944	—	11,944	—
Gain on disposal of subsidiary	—	—	2,121	—	—	—	—
Other income	98	98	963	1,179	1,799	1,040	1,660
Total income	**317,799**	**331,255**	**295,772**	**287,430**	**353,047**	**216,187**	**281,804**
Operating expenses:							
Collection activity and fund management costs	(137,169)	(137,169)	(129,507)	(130,421)	(129,332)	(97,883)	(96,794)
Loss on reclassification to held for sale	—	—	(21,342)	—		—	—
Other operating expenses	(185,113)	(192,976)	(142,314)	(194,528)	(192,795)	(142,849)	(141,116)
Total operating expenses	**(322,282)**	**(330,145)**	**(293,163)**	**(324,949)**	**(322,127)**	**(240,732)**	**(237,910)**
Operating (loss)/profit	**(4,483)**	**1,110**	**2,609**	**(37,519)**	**30,920**	**(24,545)**	**43,894**
Derivative fair value movements		—	(4,834)	12,018	—	12,018	—
Finance income	22	—	537	776	562	472	258

	AGGL	Combined≠					
	For the year ended December 31,		For the year ended December 31,		For the twelve months ended September 30,	For the nine months ended September 30,	
	2021		2022	2023	2024	2023	2024
			(£'000)		*(£'000)*	*(£'000)*	
Finance costs	(96,478)	(85,840)	(83,686)	(103,712)	(106,866)	(77,460)	(80,614)
Share of profit in associate	—	—	1,684	3,089	—	3,089	—
Loss before tax	**(100,939)**	**(84,730)**	**(83,690)**	**(125,348)**	**(75,385)**	**(86,425)**	**(36,462)**
Taxation (charge)/credit on ordinary activities	(22,712)	(2,932)	(1,417)	75	(8,142)	11,383	3,166
Loss after tax	**(123,651)**	**(87,662)**	**(85,107)**	**(125,273)**	**(83,527)**	**(75,042)**	**(33,296)**
Other comprehensive income/(loss):							
Items that are or may be reclassified subsequently to profit or loss:							
Foreign exchange translation difference arising on revaluation of foreign operations	(10,157)	—	1,877	207	(1,714)	(159)	(2,080)
Movement on the hedging reserve	63	—	556	(1,803)	(3,958)	1,707	(448)
Total comprehensive loss	**(133,745)**	**(87,662)**	**(82,674)**	**(126,869)**	**(89,199)**	**(73,494)**	**(35,824)**
Profit/(loss) attributable to:							
Owners of the Company	(123,805)	(87,816)	(84,756)	(125,967)	(83,299)	(75,838)	(33,170)
Non-controlling interest	154	154	(351)	694	(228)	796	(126)
	(123,651)	**(87,662)**	**(85,107)**	**(125,273)**	**(83,527)**	**(75,042)**	**(33,296)**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

Consolidated Balance Sheet Data

	As of December 31,			As of September 30,	
	2021	2022	2023	2023	2024
		(£'000)		*(£'000)*	
Assets					
Portfolio investments – amortized cost	704,944	392,182	323,827	362,450	260,770
Portfolio investments – FVTPL	302,808	331,199	380,977	367,919	383,603
Portfolio investments – real estate inventories	41,029	51,463	54,588	61,578	13,958
Portfolio investments – joint ventures	—	—	87,253	88,154	81,514
Total portfolio investments	**1,048,781**	**774,844**	**846,645**	**880,101**	**739,845**
Liabilities					
Senior secured notes	1,211,416	1,258,358	1,246,132	1,253,626	1,222,713
Revolving credit facility	167,373	169,104	157,592	127,359	146,073
Asset-backed loans	55,158	8,246	—	—	—
Bank overdrafts	9,630	8,423	6,214	7,542	6,135
Other borrowings(1)	2,241	13,590	24,482	23,847	15,721
Total borrowings	**1,445,818**	**1,457,721**	**1,434,420**	**1,412,374**	**1,390,642**

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

Consolidated Statement of Cash Flow Data

	AGGL	Combined≠				
	For the twelve months ended December 31,		For the twelve months ended December 31,		For the nine months ended September 30,	
	2021		2022	2023	2023	2024
			(£'000)		*(£'000)*	
Net cash generated by operating activities	10,514	7,217	61,243	121,031	67,961	92,181
Net cash (used in) by investing activities	(55,749)	(568,702)	(21,692)	(41,522)	(17,832)	(17,857)
Net cash flow generated by/(used in) financing activities	61,294	580,406	(106,127)	(109,499)	(104,154)	(93,138)
Net increase/(decrease) in cash and cash equivalents	**16,059**	**18,921**	**(66,576)**	**(29,990)**	**(54,025)**	**(18,814)**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

Net Debt

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

	As of December 31,			As of September 30,	
	2021≠	**2022**	**2023**	**2023**	**2024**
		(£'000)			*(£'000)*
Cash and cash equivalents[(1)]	**(202,263)**	**(143,603)**	**(114,683)**	**(90,529)**	**(91,048)**
Existing Notes (pre-netting of transaction fees)	1,223,080	1,270,761	1,251,605	1,251,369	1,215,801
Existing Revolving Credit Facility/Revolving credit facility (pre-netting of transaction fees)	171,415	172,213	159,768	129,769	147,550
Non-Recourse Facilities/Asset-backed loan (pre-netting of transaction fees)	55,613	8,296	—	—	—
Secured Net Debt	**1,247,845**	**1,307,667**	**1,296,690**	**1,290,609**	**1,272,303**
Deferred consideration – portfolio investments[(2)]	27,854	23,433	737	5,087	708
Deferred consideration – business acquisitions[(3)]	1,503	3,197	—	—	—
Existing Notes interest[(4)]	8,874	9,342	10,824	19,813	19,175
Non-Recourse Facilities/Asset-backed loan interest	181	23	—	—	—
Miscellaneous Facilities/Bank overdrafts	9,559	8,423	6,214	7,542	6,135
Other borrowings	2,241	13,590	24,482	23,847	15,721
Net debt	**1,298,057**	**1,365,675**	**1,338,947**	**1,346,898**	**1,314,042**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

(1) Cash and cash equivalents as of September 30, 2024 included £6,855,000 (2023: £11,838,203, 2022: £8,021,000 and 2021: £11,513,000) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitization structure awaiting a payment date.

(2) Includes deferred consideration payable in relation to the acquisition of portfolios investments.

(3) Includes deferred consideration payable in relation to the acquisition of subsidiaries and associates.

(4) Comprises accrued and unpaid interest on the Existing Notes.

Other Financial Data

	As of and for the period ended December 31,			As of and for the twelve months ended September 30,	As of and for the nine months ended September 30,	
	2021≠	**2022**	**2023**	**2024**	**2023**	**2024**
		(£'000)		*(£'000)*	*(£'000)*	
84-Month ERC (£m)[(1)]	1,530.3	1,545.9	1,213.7	n/a	1,232.4	1,177.4
120-Month ERC (£m)[(2)]	1,685.0	1,714.3	1,309.9	n/a	1,305.7	1,254.6
Purchases of investment portfolios in the period (£'000)[(3)]	189,663	181,019	239,990	167,533	205,956	133,499
Balance Sheet Cash Collections/Collections in the period (£'000)[(4)]	367,386	380,123	375,376	383,421	290,005	298,050
Funds under management (€bn)[(5)]	4.5	6.2	9.3	10.5	9.3	10.5
Adjusted Free Cash Flow (£m)[(6)]	182,104	213,694	199,700	210,152	181,753	192,205
EBITDA (£'000)[(7)]	104,814	36,533	(16,453)	56,548	(9,910)	63,091
Adjusted EBITDA (£'000)[(8)]	260,763	315,385	331,870	353,170	261,188	282,488
Capital-light businesses' percentage of EBITDA (%)[(9)]	19%	(109)%	(272)%	104%	(294)%	82%
Leverage[(10)]	4.8	4.1	3.9	n/a	3.6	3.6

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

(1) 84-Month ERC means our estimated remaining Balance Sheet Cash Collections on portfolio investments over an 84-month period, representing the expected future Balance Sheet Cash Collections on portfolio investments over an 84-month period (calculated at the end of each month, based on our proprietary ERC forecasting model, as amended from time to time). See "*Presentation of Financial and Other Information*" and "*Risk Factors—Risks relating to our Business, Industry and Regulations—The statistical and non-statistical models and analytical tools we use in our business, including in our calculation of ERC and Net Deal IRR, may prove to be inaccurate and we may not achieve anticipated recoveries.*"

(2) 120-Month ERC means our estimated remaining Balance Sheet Cash Collections on portfolio investments over a 120-month period, representing the expected future Balance Sheet Cash Collections on portfolio investments over a 120-month period (calculated at the end of each month, based on our proprietary ERC forecasting model, as amended from time to time). See "*Presentation of Financial and Other Information*" and "*Risk Factors—Risks relating to our Business, Industry and Regulations—The statistical and non-statistical models and analytical tools we use in our business, including in our calculation of ERC and Net Deal IRR, may prove to be inaccurate and we may not achieve anticipated recoveries.*"

(3) Purchases of investment portfolios represent the purchase price of our portfolio investments made during the period. For the year ended December 31, 2021 the purchase of investment portfolio figure presented above is derived from our Combined 2021 Financial Information.

(4) Balance Sheet Cash Collections, which are presented in the Consolidated Financial Statements and mean cash collections on our existing portfolio investments including collections on our co-investment into ACO I, ACO II and AREO I, portfolio sales and put-backs. For the year ended December 31, 2021 the Balance Sheet Cash Collections figure presented above is derived from our Combined 2021 Financial Information.

(5) Funds under management means the value of all fund management assets and commitments managed by us, including ACO I, ACO II, AREO I, Norfin, Europa Investimenti, Sagitta, Maslow and any of our own capital which we have committed to primarily co-invest alongside third parties committed capital. FUM is an important metric used to understand the scale of the Group's fund management activities and how this compares to others in the market.

(6) Adjusted Free Cash Flow means Adjusted EBITDA less cash interest, income taxes and overseas taxation paid and amounts paid for the purchase of property, plant and equipment and intangible assets. See note (8) below for a reconciliation of free cash flow to net cash from operating activities.

(7) We define EBITDA as our earnings before interest, tax, depreciation and amortization of intangible assets and foreign exchange gains and losses. The below table sets forth a reconciliation of EBITDA to total income and operating profit/(loss) to EBITDA for the periods presented:

	For the twelve months ended December 31,			**For the twelve months ended September 30,**	**For the nine months ended September 30,**	
	2021≠	**2022**	**2023**	**2024**	**2023**	**2024**
		(£'000)		*(£'000)*	*(£'000)*	
Operating profit/(loss)	**91,966**	**2,609**	**(37,519)**	**30,562**	**(24,545)**	**43,894**
Depreciation and amortization	(12,848)	(23,130)	(25,082)	(33,396)	(18,535)	(26,849)
Foreign exchange translation gain	—	(10,794)	4,016	7,768	3,900	7,652
EBITDA	**104,814**	**36,533**	**(16,453)**	**56,548**	**(9,910)**	**63,091**
Loss on reclassification to held for sale	—	(21,342)	—	—	—	—
Other operating expenses excluding depreciation, amortization and forex	(90,615)	(108,390)	(173,462)	(167,167)	(128,214)	(121,919)
Gross Margin	**195,429**	**166,265**	**157,009**	**223,715**	**118,304**	**185,010**
Gross Margin %	58.8%	56.2%	54.6%	63.4%	54.7%	65.7%
Collection Activity and Fund Management Costs	(137,169)	(129,507)	(130,421)	(129,332)	(97,883)	(96,794)
Total income	**332,598**	**295,772**	**287,430**	**353,047**	**216,187**	**281,804**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

(8) We define Adjusted EBITDA as profit/(loss) for the year adjusted to exclude the effects of finance income and costs, taxation credit/(charge) on ordinary activities, derivative fair value movements, portfolio amortization, depreciation and amortization, foreign exchange gains/(losses), net (profit)/loss on disposal of intangible assets and property, plant and equipment, profit on disposal of subsidiary, profit on disposal of held for sale assets and liabilities, share-based payments excluding adjusting items, loss on reclassification to held for sale and certain operating adjusting items.

Reconciliation of Adjusted EBITDA to net cash flow. For supplemental purposes, we have also included a reconciliation of net cash used in operating activities to Adjusted EBITDA. For purposes of this reconciliation, Adjusted EBITDA represents net cash used in operating activities adjusted to exclude the effects of purchases of portfolio investments and investments awaiting deployment, proceeds from the sale of our United Kingdom non-core portfolios, income taxes (received)/paid, working capital adjustments, share of profit in associate and other operating cash adjusting items.

Reconciliation of Adjusted EBITDA to Balance Sheet Cash Collections. Additionally, for supplemental purposes, we have included a reconciliation of Balance Sheet Cash Collections which is included in the Consolidated Financial Statements that are presented in accordance with IFRS, to Adjusted EBITDA. We include this supplemental reconciliation because we consider the conversion of Balance Sheet Cash Collections to Adjusted EBITDA to be a key driver of our performance and key to understanding our liquidity. For purposes of this reconciliation, Adjusted EBITDA represents Balance Sheet Cash Collections (which includes income from portfolio investments (including fair value and impairment losses and gains) and portfolio amortization), and excluding the effects of other income (which is integrated fund management income and gain on disposal of subsidiary), operating expenses, depreciation and amortization, foreign exchange (gains)/losses, net (profit)/loss on disposal and write off intangible assets and property, plant and equipment, share of profit in associate, profit on disposal of subsidiary, loss on reclassification to held for sale, share-based payments excluding adjusting items and other operating adjusting items.

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

	For the twelve months ended December 31,			For the twelve months ended September 30,	For the nine months ended September 30,	
	2021[≠]	2022	2023	2024	2023	2024
		(£'000)		*(£'000)*	*(£'000)*	
Profit/(loss) after tax for the period	**(87,662)**	**(85,107)**	**(125,273)**	**(83,527)**	**(75,042)**	**(33,296)**
Net finance costs	85,840	83,149	102,936	106,305	76,987	80,356
Share of profit in associate	—	(1,684)	(3,089)	—	(3,089)	—
Taxation (credit)/charge on ordinary activities	2,932	1,417	(75)	8,142	(11,383)	(3,166)
Derivative fair value movements	—	4,834	(12,018)	—	(12,018)	—
Operating profit/(loss)	**1,110**	**2,609**	**(37,519)**	**30,920**	**(24,545)**	**43,894**
Portfolio amortization[a]	152,706	249,758	294,695	278,703	227,207	211,215
Depreciation and amortization	15,726	23,130	25,082	33,396	18,535	26,849
Foreign exchange losses/(gains)[b]	(2,808)	10,794	(4,016)	(7,768)	(3,900)	(7,652)
Net (profit)/loss on disposal of intangible assets and property, plant and equipment	3,091	(231)	75	1,001	75	1,001
Share of profit in associate	—	1,684	3,089	—	3,089	—
Profit on disposal of subsidiary	—	(2,121)	—	—	—	—
Profit on disposal of held for sale assets and liabilities	—	—	(11,944)	—	(11,944)	—
Share-based payments excluding adjusting items	1,424					
Loss on reclassification to held for sale	—	21,342	—	—	—	—
Operating adjusting items[c]	89,514	8,420	62,408	16,918	52,671	7,181
Adjusted EBITDA	**260,763**	**315,385**	**331,870**	**353,170**	**261,188**	**282,488**

	For the twelve months ended December 31,			For the twelve months ended September 30,	For the nine months ended September 30,	
	2021[≠]	2022	2023	2024	2023	2024
		(£'000)		*(£'000)*	*(£'000)*	
Net cash generated by/(used in) operating activities	**(7,217)**	**61,243**	**121,031**	**145,251**	**67,961**	**92,181**
Purchases of portfolio investments and investments awaiting deployment	(189,663)	181,019	239,990	167,533	205,956	133,499
Proceeds from sale of UK non-core portfolio	—	—	(91,511)	—	(91,511)	—
Income taxes (received)/paid	8,408	(270)	11,306	6,592	7,557	2,843
Working capital adjustments[d]	(16,663)	63,289	32,437	30,808	54,271	52,642
Share of profit in associate	—	1,684	3,089	—	3,089	—
Operating cash adjusting items[c]	72,108	8,420	15,528	2,987	13,865	1,323
Adjusted EBITDA	**260,763**	**315,385**	**331,870**	**353,170**	**261,188**	**282,488**
Net finance costs	(55,836)	(79,939)	(97,680)	(106,653)	(62,930)	(71,903)
Taxation credit/(charge) on ordinary activities	(8,408)	270	(11,306)	(6,592	(7,557)	(2,843)
Capital expenditure[e]	(14,415)	(22,022)	(23,184)	(29,774)	(8,948)	(15,538)
Adjusted Free Cash Flow	**182,104**	**213,694**	**199,700**	**210,152**	**181,753**	**192,205**

	For the twelve months ended December 31,			For the twelve months ended September 30,	For the nine months ended September 30,	
	2021[≠]	2022	2023	2024	2023	2024
		(£'000)		*(£'000)*	*(£'000)*	
Income from portfolio investments including fair value and impairment losses and gains	214,680	130,365	80,681	104,718	62,798	86,835
Portfolio amortization[a]	152,706	249,758	294,695	278,703	227,207	211,215
Balance Sheet Cash Collections/Collections in the year	**367,386**	**380,123**	**375,376**	**383,421**	**290,005**	**298,050**
Integrated fund management income, gain on disposal of subsidiary and other income	116,575	165,407	194,805	248,329	141,445	194,969
Operating expenses	(330,145)	(293,163)	(324,949)	(322,127)	(240,732)	(237,910)
Depreciation and amortization	15,726	23,130	25,082	33,396	18,535	26,849
Foreign exchange (gains)/losses[b]	(2,808)	10,794	(4,016)	(7,768)	(3,900)	(7,652)
Net loss/(profit) on disposal and write off intangible assets and property, plant and equipment	3,091	(231)	75	1,001	75	1,001
Share of profit in associate	—	1,684	3,089	—	3,089	—
Profit on disposal of subsidiary	—	(2,121)	—	—	—	—
Loss on reclassification to held for sale	—	21,342	—	—	—	—
Share-based payments excluding adjusting items	1,424	—	—	—	—	—
Operating adjusting items[c]	89,514	8,420	62,408	16,918	52,671	7,181
Adjusted EBITDA	**260,763**	**315,385**	**331,870**	**353,170**	**261,188**	**282,488**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

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

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

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

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

	For the twelve months ended December 31,			For the twelve months ended September 30,	For the nine months ended September 30,	
	2021≠	2022	2023	2024	2023	2024
		(£'000)		*(£'000)*	*(£'000)*	
Decrease/(increase) in other receivables	4,355	(27,721)	(20,732)	(47,040)	(18,239)	(44,547)
(Decrease)/increase in trade and other payables	(19,969)	(35,568)	(11,705)	16,232	(36,032)	(8,095)
Working capital adjustments	**(15,614)**	**(63,289)**	**(32,437)**	**(30,808)**	**(54,271)**	**(52,642)**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

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

(9) Capital-light businesses' percentage of EBITDA represents EBITDA of the Integrated Fund Management segment as a percentage of our total EBITDA. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Key Performance Metrics—Profit before and after tax, EBITDA and EBITDA Margin and segmental profit before tax, EBITDA and EBITDA Margin*" for our business segment EBITDA split.

(10) Leverage is the ratio of Secured Net Debt to Adjusted EBITDA.

As Adjusted Financial Information

The *as adjusted* financial information below is presented on an *as adjusted* basis to illustrate the impact of the Transactions on the Group's consolidated financial statements had all of the Transactions occurred on October 1, 2023 (with respect to consolidated statement of profit or loss and other comprehensive income data) or on September 30, 2024 (with respect to consolidated balance sheet data). See "*Presentation of Financial and Other Information—Other Financial Information—As Adjusted Financial Information*."

	As of and for the twelve months ended September 30, 2024	
	(£ in millions, except as otherwise indicated)(1)	
	As Adjusted assuming satisfaction of the Minimum Condition	**As Adjusted assuming 100% participation in the Exchange Offer and/or the Tender Offers**
As adjusted cash and cash equivalents(2)	65.0	64.0
***As adjusted* total debt**(3)	1,386.1	1,386.1
***As adjusted* Net Debt**(4)	1,321.1	1.322.1
Ratios		
As adjusted Leverage(5)	3.7x	3.7x

(1) The financial information in euro was converted to pounds sterling at a rate of €1.20 to £1.00 (based on the Bloomberg Composite Rate (New York) as of September 30, 2024). You should not view the translation as a representation that the euro amounts actually represent the converted pounds sterling amounts, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate.

(2) Represents our cash and cash equivalents *as adjusted* for the Transactions, as if the Transactions had occurred on September 30, 2024. See "*Capitalization*."

(3) Comprises our total debt *as adjusted* for the Transactions as if the Transactions had occurred on September 30, 2024. See also "*Capitalization*" and "*Use of Proceeds*." The following table sets forth the components of our total debt *as adjusted* for the Transactions.

	As of September 30, 2024	
	(£ in millions)	
	As Adjusted for the Minimum Condition	**As Adjusted for full acceptance**
Total debt[(a)(b)]	1,386.1	1,386.1
New Notes, including the Exchange Notes [(b)(c)]	912.5	1,216.6
New Revolving Credit Facility[(d)]	147.6	147.6
Less: cancellation of Existing Notes pursuant to the Exchange Offer and the Tender Offers and Existing Revolving Credit Facility	1,060.1	1,364.2
***As adjusted* total debt**	**1,386.1**	**1,386.1**

(a) Comprises:

- the Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes and the Existing Sterling Fixed Rate Notes;
- amounts outstanding under the Existing Revolving Credit Facility as at September 30, 2024; and
- amounts outstanding under the Miscellaneous Facilities and other borrowings as at September 30, 2024.

(b) Converted to pounds sterling at a rate of €1.20 to £1.00 (based on the Bloomberg Composite Rate (New York) as of September 30, 2024). You should not view the translation as a representation that the euro amounts actually represent the converted sterling amounts, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate.

(c) Comprises:

- the Exchange Notes; and
- the New Money Floating Rate Notes, the New Money Euro Fixed Rate Notes and the New Money Sterling Fixed Rate Notes.

(d) As of September 30, 2024, the Existing Revolving Credit Facility was partially drawn. On or about the Settlement Date, after giving effect to the Transactions, the Existing Revolving Credit Facility will be cancelled in its entirety, and the outstanding balance under the Existing Revolving Credit Facility will be cashlessly rolled over to the New Revolving Credit Facility. Exiting lenders under the Existing Revolving Credit Facility will be repaid in cash by incoming lenders or existing lenders have upsized commitments under the New Revolving Credit Facility.

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

(5) *As adjusted* Leverage is calculated as the ratio of *as adjusted* Secured Net Debt to Adjusted EBITDA.

RISK FACTORS

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

This Exchange Offer 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 Exchange Offer Memorandum. See "Forward-Looking Statements."

Risks relating to our Business, Industry and Regulations

Macroeconomic and geopolitical factors may have a material adverse effect on our business, results of operations and financial condition.

Our integrated fund management business is subject to the impact of macroeconomic and geopolitical changes at global and local levels.

Certain of our investments may generate returns lower than forecast due to macroeconomic and geopolitical factors, such as volatility of real estate valuations, inflation, high interest rates, decline in consumer confidence, higher energy costs and commodity prices, and political turmoil and uncertainty. We have experienced intense macroeconomic and geopolitical challenges in the last three years, including high rates of inflation resulting in several rounds of interest rate increases in the markets in which we operate, adversely impacting real estate prices, consumer demand, borrowing costs, liquidity and the returns of our investment portfolios. We primarily invest in portfolios within Western Europe and are subject to the economic, market, fiscal, regulatory, legislative, political and social conditions in these countries. Changes in these conditions have the ability to affect the level and volatility of market prices and interest rates, which, in turn, may affect the liquidity and returns of our investments, our investment opportunities, the ability of certain of our customers to service their outstanding debts, contract real estate values and ultimately, impact the value and returns of our investments. The inability of customers and borrowers to service their outstanding debt could in turn reduce the level of collections and returns from credit opportunities, lending portfolios and real estate opportunities of the Group and our Funds.

We raise funds from investors around the world and changes to macroeconomic and geopolitical factors in countries around the world can impact the appetite of such investors to commit capital to our discretionary funds. The inability to attract capital to our discretionary funds due to changes in macroeconomic and geopolitical factors around the world would affect our ability to make new investments, generate revenues and may have an adverse impact on our business, results of operations and financial condition. In addition, a recession, slowdown and/or sustained downturn in the global economy or the European real estate market (or any particular segment thereof) or a weakening of credit markets (including a perceived increase in counterparty default risk) could adversely affect our ability to raise funds from global investors and our ability to effectively deploy our capital or realize upon investments on favorable terms and could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, changes in local economic or political conditions in foreign countries could negatively impact our ability to conduct business in those countries. There are risks inherent in our international business activities including difficulties in staffing and managing international operations, which may impact our ability to execute our target operating model in a timely and/or cost-effective manner. Our business and growth prospects are vulnerable to economic and political developments in these jurisdictions and the occurrence of any of the aforementioned events could have a material adverse effect on our business, results of operations and financial condition.

We can be adversely affected by other global and regional factors that periodically occur, including:

- geopolitical and security issues, such as armed conflict and civil or military unrest, political instability, human rights concerns and terrorist activity. Geopolitical tensions around the world remain intense, with Ukraine-Russia and the Middle East, being the focal points of these conflicts currently;

- natural disasters, extreme weather conditions, global health crises (for example, pandemics, such as the COVID-19 pandemic) riots, and other catastrophic events;

- ongoing political uncertainty, for example events such as Brexit and the relationship between the United Kingdom and the EU, the potential departure from the euro of one or more Eurozone countries and any deterioration of the political and economic situation in the EU and ensuing effects on the United Kingdom; and

- fluctuations in the market values of any of our investments, which can be negatively affected by liquidity, credit deterioration or losses, interest rate changes, exchange rate movements, movement in real estate prices, financial results, political risk, sovereign risk, or other factors.

If any of the foregoing were to materialize, this could have a material adverse effect on our business, results of operations and financial condition.

The lack of investment opportunities, the inability to source or service a sufficient quantum of investments at the required returns or a decline in the pace and size of investments, made by our current and future discretionary funds (the "Funds"), could have a material adverse effect on our business, results of operations and financial condition.

There is a possibility that our Funds will never be fully invested or the raising of future Funds will be delayed or will not occur if attractive investment opportunities are not identified. Many factors could affect our ability to source attractive investments at the required returns with the correct risk profile causing a decline in the quantum and/or pace of investment, including our inability to identify attractive investment opportunities, competition for such opportunities among potential acquirers, a lack of competitive advantage or ineffective relationships within our local platforms, market volatility and the failure to consummate identified investment opportunities or maximize return because of business, regulatory, servicing or legal complexities.

In particular, investment opportunities may ultimately not materialize or there may not be sufficient supply of, or appropriately priced, investment portfolios, across performing, non-performing and non-core portfolio, including unsecured consumer debt, secured consumer debt, other secured debt, real-estate assets and commercial assets, available for purchase, and a decrease in the ability of our Funds to purchase such investment portfolios could materially adversely affect our business, results of operations and financial condition. The availability of investment portfolios and lending opportunities at prices that generate profits may be adversely affected by a number of factors, some of which are outside our control, including, the level of consumer confidence and consumer spending in Europe, reduced availability of credit to consumers and the level of non-performance of consumer portfolios, impact of high interest rates, inflationary environment, consumer demand and general economic conditions in Europe, on real estate valuations, lending and investments and an increase in demand for similar investment portfolios among competitors could result in our not being chosen to purchase a portfolio due to more attractive offers from competitors. See also "*—Macroeconomic and geopolitical factors may have a material adverse effect on our business, results of operations and financial condition*."

In addition, we may fail to identify economic trends or the reversal of economic trends and therefore may fail to make changes to our investment strategies in a timely manner or at all. This could result in a loss of investment opportunities and of our competitive advantage or reduced returns for our investments and those of our Funds, which could materially adversely affect our business, results of operations and financial condition. See also "*—Intense competition both with respect to sourcing capital from fund investors and identifying investment opportunities could have a material adverse impact on our business, results of operations and financial condition*."

Further, our revenue is driven in part by the pace at which our Funds make investments and the size of those investments, and a decline in the pace or size of such investments may reduce our revenue. For instance, high prices have made the deployment of capital more difficult in the past. If our Funds are unable to deploy capital at a pace in suitable size that is sufficient to offset the pace of realizations, our business, results of operations and financial condition could be materially adversely affected.

Intense competition both with respect to sourcing capital from fund investors and identifying investment opportunities could have a material adverse impact on our business, results of operations and financial condition.

We compete for both capital from fund investors and for investment opportunities. Our competitors consist primarily of sponsors of public and private investment funds, specialized investment funds, hybrid funds, financial institutions (for example, mortgage banks and pension funds) and traditional asset managers.

Competition for capital from fund investors is based primarily on investment performance, investor liquidity and willingness to invest, investor perception of our drive, focus and alignment of interest, brand recognition, business reputation, the duration of relationships with fund investors, the quality of services provided to fund investors, pricing, fund terms (including fees), and the relative attractiveness of the types of investments that have been or will be made. Such competition may have the effect of increasing costs, reducing the fees charged to fund investors, restricting business activity, for example, by limiting the permitted investments, and restraining our ability to raise future funds of sufficient size, which could have a material adverse effect on our business, results of operations and financial condition.

Competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution. We or our Funds may fail to capitalize on investment opportunities in the future if they do not match investment prices, structures and terms offered by competitors. Alternatively, our Funds may experience decreased investment returns and increased risks of loss if investment prices, structures and terms offered by competitors are matched. Moreover, as a result, if we are forced to compete with other investment firms on the basis of price, we may not be able to maintain our current management fees, carried interest or other terms with fund investors. Reductions of management fees or carried interest or other changes to the commercial terms of fund documents of our Funds or any future funds established by us, without corresponding decreases in our cost structure, could have a material adverse effect on our business, results of operations and financial condition.

In addition, competitors could also develop other competitive advantages that we cannot match at all or in a timely manner, for example, by applying and using proprietary technological platforms and systems, including artificial intelligence ("**AI**") technology for the sourcing of their investment opportunities. See also "*—Risks and uncertainties related to the development and use of AI could have a material adverse effect on our business, results of operations and financial condition*." Technological advancements like the foregoing may enable a competitor to offer improved financial terms to customers and investors. This may force us to reduce our prices or offer discounts, which, in turn, may result in lowering our current management fees, carried interest or other terms with fund investors, which could have a material adverse effect on our business, results of operations and financial condition.

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

In 2019, we established AGG Capital Management Limited, a Jersey registered discretionary fund manager (the "**Fund Manager**"). The Fund Manager is licensed by the Jersey Financial Services Commission ("**JFSC**") to conduct fund services business pursuant to the Financial Services (Jersey) Law 1998 (as amended, the "**Jersey FS Law**") and is required to comply with the applicable requirements of the Code of Practice for FSB. In order to support the Fund Manager's compliance with the Jersey FS Law and the fund services business codes of practice promulgated thereunder, the Fund Manager is itself managed and administered by Saltgate Limited, a Jersey regulated administrator, which is licensed to act as a Manager of a Managed Entity (such administrator, the "**MoME**"). The Fund Manager is also an 'Exempt Reporting Adviser' under the U.S. Investment Advisers Act of 1940 as amended (the "**Advisers Act**"), and is subject to some of the requirements and regulations of the Advisers Act, including, among other things, duties to disclose conflicts of interest, fiduciary duties to advisory clients, certain recordkeeping and regulatory reporting requirements, disclosure obligations and general anti-fraud prohibitions. While we believe our current practices do not require our Fund Manager or any of our other affiliates or subsidiaries to register or notice file as an investment adviser, if a regulator were to disagree with our analysis with respect to any portion of our business, our Fund Manager or a subsidiary may be required to register or notice file as an investment adviser and to comply with applicable law. Registering as an investment adviser could adversely affect our business, results of operations and financial condition.

Each of our Funds is an alternative investment fund ("**AIF**") within the meaning of Directive 2011/61/EU of June 8, 2011 on alternative investment fund managers (the "**AIFMD**"). The AIFMD as transposed into national law regulates and imposes regulatory obligations in respect of the marketing in the European Economic Area (the "**EEA**") by alternative investment fund managers (whether established in the EEA or elsewhere) of AIFs (whether established in the EEA or elsewhere). The regulatory regime of the AIFMD itself and the regulatory regime of the EEA as a whole may be subject to change during the life of our Funds. For example, Directive 2024/297/EU (known as the "**AIFMD II**") entered into force on April 15, 2024 and Member States now have two years to transpose the AIFMD II rules into national law, meaning that they will apply from April 16, 2026 (with some rules subject to a transitional period). Regulatory changes may have an adverse impact on the structuring of our Funds, for example in the event that regulatory fees capital requirements applicable to the AIFM were to be increased, which ultimately may have a material adverse effect on our business, results of operations and financial condition.

Waystone Management Company (IE) Luxembourg Branch (formerly DMS) has been appointed to act as ACO I's alternative investment fund manager ("**Waystone**"). Waystone is authorized and regulated as an alternative investment fund manager by the Central Bank of Ireland ("**CBI**") under the European Communities (Alternative Investment Fund Managers Directive) regulations 2013. ONE Fund Management S.A. ("**One Fund**" and together with Waystone, the "**AIFMs**" and, each, an "**AIFM**") has been appointed as the initial AIFM of our remaining Funds. One Fund is authorized by the Luxembourg Financial Sector Supervisory Authority (*Commission de Surveillance du Secteur Financier*) ("**CSSF**") to act as an alternative investment fund manager in accordance with the Luxembourg law of 12 July 2013 on alternative investment fund managers (the "**Luxembourg 2013 Law**"). The AIFMs are independent third-party service providers which our Funds do not control. The functions and duties that the AIFMs have and will undertake in relation to us are and shall not be exclusive. Accordingly, events beyond our Funds' control, including the possibility that the AIFMs may encounter financial difficulties, may negatively affect the AIFMs, their operations and their services provided to us. The insolvency or bankruptcy of the AIFMs may negatively affect our Funds and would have a material adverse effect on our business, results of operations and financial condition.

Further, the AIFMs, who have been entrusted with the portfolio management functions and the risk management function in respect of the Funds, have delegated their respective portfolio management functions to the Fund Manager pursuant to a management agreement (the "**Management Agreement**"). The structure of the management of our Funds is such that in some of our Funds each of the AIFM and the Fund Manager are separately regulated by the competent financial services authority in their respective jurisdictions. In the case of One Fund, the competent financial services authority is the CSSF, in the case of Waystone, the competent financial services authority is the CBI and in the case of the Fund Manager, the competent financial services authority is the JFSC. As a consequence of the multiple regulatory regimes applicable to the management, our Funds' compliance burden may be more extensive than would have been the case if the AIFMs and Fund Manager were subject to regulation by a single competent financial services authority. There can be no guarantee that this compliance burden will not have an adverse impact on the ability of the manager to manage our Fund and successfully implement the investment strategy. The AIFMs delegate the portfolio management functions to the Fund Manager on a cross-border basis. Any change of law or regulation restricting or prohibiting such delegation from Luxembourg or Ireland to Jersey would have an adverse impact on the ability of the manager to manage our Funds and successfully implement our investment strategy.

In addition, certain of our platforms are regulated fund managers. Sagitta is authorized and regulated by the Bank of Italy as an Italian AIFM (*società di gestione del risparmio, SGR*) to, *inter alia*, manage AIFs. In the performance of its activities, Sagitta is required to comply with the applicable provisions of law stemming from the Italian acts and regulations which implemented the AIFMD. Under Italian law, each AIF under the management of Sagitta constitutes a ring-fenced asset which is entirely separate and distinct from the assets and liabilities of Sagitta. For further details as to the regulatory regime applicable to Sagitta, please see "*Regulation and Compliance—Regulatory Framework in our Key Jurisdictions of Operation—Italy—Sagitta business.*"

In accordance with the regulatory framework described thereto, Sagitta has in place specific procedures and internal policies to monitor, among other things, the performance of its activities and those carried out at the AIFs level, its compliance with the relevant legal provisions and supervisory expectations of the Italian regulator (i.e., Bank of Italy and / or the Italian Companies and Exchange Commission (*Commissione Nazionale per le Società e la Borsa* – "**CONSOB**")). Despite the existence of these procedures and policies, there can be no assurance that violations of regulations will not occur, which could adversely affect Sagitta's results of operations, business and financial conditions. Moreover, events beyond the control of Sagitta, including the possibility that Sagitta and / or the AIFs Sagitta manages may encounter financial difficulties, may negatively affect Sagitta and its operations. The admission of Sagitta to the procedures of the Extraordinary Administration or the Compulsory

Administrative Liquidation (as both defined below) may negatively affect the AIFs under its management and may have a material adverse effect on Sagitta's business, results of operations and financial condition, which ultimately may have a material adverse effect on our business, results of operations and financial condition.

For further details as to the insolvency regime which may apply to Sagitta or the AIFs under its management, please see "*Regulation and Compliance—Regulatory Framework in our Key Jurisdictions of Operation—Italy—Sagitta business.*"

Norfin is a major fund manager (*sociedade gestora de grande dimensão*) operating in Portugal and is regulated to manage undertakings for collective investment in property by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* – "**CMVM**"). Furthermore, AFE S.A. SICAV-RAIF, a portfolio company of our ACO II discretionary fund, is a reserved alternative investment fund pursuant to the Luxembourg law of 23 July 2016 on reserved alternative investment funds, as amended, currently with Carne Global Fund Managers (Luxembourg) S.A. acting as an alternative investment fund manager under the Luxembourg 2013 Law.

There is a risk that one or more of our regulated fund management entities may not comply or adhere to the applicable laws, regulations and codes of practice relating to this industry in the applicable jurisdictions and this could result in substantial losses and the suspension, termination or impairment of our ability to conduct business going forward and ultimately have a material adverse effect on our business, results of operations and financial condition.

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

We operate in regulated environments in relation to investment, lending and servicing activities, and non-compliance with regulatory obligations or non-compliant conduct could result in censure, financial loss and reputational damage. We observe increased regulatory scrutiny in the sectors, in which we operate as the regulatory frameworks evolve and adapt to the requirements of more advanced, complex and sophisticated financial markets.

Through acquisition of our servicing platforms, investment in portfolios originated in jurisdictions outside the United Kingdom, including our co-investment in our Funds, and the provision of services to third parties, we have expanded our geographical footprint and are subject to a variety of national laws and regulations, including in respect of, but not limited to, data privacy, AML and terrorist financing, market abuse, bribery and corruption, economic sanctions, unfair competition, customer treatment and price fixing, in the continental European jurisdictions that we operate, principally the Netherlands, Ireland, Italy, Portugal, Spain and Germany. In addition, we also remain subject to UK regulations for our remaining UK servicing firms.

For example:

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

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

- In Italy, we operate through Zenith, which is a financial intermediary regulated and supervised by the Bank of Italy under Article 106 of the Italian Banking Act (as defined below). We also operate through Sagitta, which is a fund manager regulated and supervised by the Bank of Italy. Zenith and Sagitta are required to comply with ongoing requirements and rules of conduct. We also need to comply with the relevant Italian AML regulation, which incorporate EU-wide legislative requirements.

- In Portugal, we are subject to oversight by the CMVM, with Hefesto being an authorized and supervised securitization vehicle. While our purchases of non-performing loan portfolios from Portuguese credit institutions are generally not considered to constitute a regulated activity, they, together with our engagement of local agencies, fall under the general rules of the Portuguese Civil Code.

- In Spain, lending is only a regulated activity in relation to mortgages and consumer lending. In these circumstances, a lender that is not a credit institution or other entity registered with the Bank of Spain is required to register on a special administrative public registry before it commences such lending activity (for foreign entities, the relevant registry is the State Registry created for these purposes within the Consumer General Directorate). There is no prior licensing requirement so this is a simple registration process.

- In Germany, lending is qualified as licensable banking business and subject to prior authorization by the Federal Financial Supervisory Authority.

In addition to the above, we are subject to the Consumer Credit Directive and the Mortgage Credit Directive in the EU. The Consumer Credit Directive (2008/48/EC) establishes common rules on consumer credit in the EU, covering personal loans between €200 and €75,000 repayable after more than a month. This is due to be repealed and replaced by the Directive on credit agreements for consumers (EU 2023/2225) by 2026. The Mortgage Credit Directive (2014/17/EU) regulates first- and second-charge mortgages and consumer buy-to-let lending. The Mortgage Credit Directive contains provisions that may impact our Funds directly, such as certain restrictions on tying and bundling mortgage-related assets and requirements related to the knowledge and competency of the loan owner. Failure of loan servicers to comply with the Mortgage Credit Directive and the Consumer Credit Directive, or any future directive, could subject our Funds, as assignees or purchasers to the related loans, to monetary penalties. If the loans are found to have been originated in violation of EU lending laws, and the relevant creditor has no rights to indemnification or the sellers are unable to meet their indemnification obligations, our Funds could incur losses, which could adversely impact our business, results of operations and financial condition. Furthermore, a new directive on credit servicers and credit purchasers (the Credit Servicers and Purchasers Directive (2021/2167)) was published in December 2021, regulating the sale, purchase and servicing of non-performing loans ("**NPLs**") originated by EU banks. Under these new rules, our Funds would need to appoint an EU-authorized credit servicer where they purchase such NPLs concluded with consumers or small- and medium-sized enterprises ("**SMEs**") (subject to the ability of Member States to elect to extend this requirement to other types of NPLs). Even though many Member States have not yet implemented these requirements in national law, a failure by our Funds to comply with its requirements could adversely impact our business, results of operations and financial condition.

Any failure by us, or our agents or assignees, to comply with the applicable legal, regulatory and licensing requirements could, for example, result in regulatory investigations or enforcement actions (that may, for example, lead to fines, obligations to implement remediation programs, public censure, the variation, suspension or withdrawal of authorization for some or all of our entities in the relevant jurisdiction), court sanctions (that may, for example, render customer agreements, or certain contractual terms therein, unenforceable or require us to repay sums or pay damages to borrowers or investors), ombudsman examinations, if applicable (that may, for example, require us to pay compensation) and reputational damage, all of which may impact our ability to conduct our business.

Moreover, in the context of the implementing the Regulation on Digital Operational Resilience (Regulation EU/2022/2554 – "**DORA**"), the Italian parliament delegated the Italian government to amend the regulatory regime applicable to Italian financial intermediaries pursuant to Article 106 of the Italian Banking Act (such as Zenith) to subject these entities to requirements equivalent to those laid down by DORA at a European level. As at the date of this Exchange Offer Memorandum, no draft delegated law has been published so far, therefore it is not possible to foresee how onerous compliance with these newly introduced requirements could be for Zenith and the impact this may have on Zenith's business, results of operations and financial condition.

In addition, we may introduce changes to our business practices in response to disciplinary action taken against competitors or as a result of any of the applicable European regulator's supervisory activities (such as thematic reviews of the consumer credit and mortgage servicing markets). Such remedial actions could increase our costs, reduce our ability to collect from our purchased portfolios, reduce our ability to invest, limit our evolution as an integrated Fund Management business and otherwise adversely affect our business, results of operations and financial condition. In addition, our risk management and compliance framework may require additional investment and resources to satisfy applicable regulatory requirements and we may need to enhance it further to comply with forthcoming and future legal and regulatory requirements.

Further, following the withdrawal of the United Kingdom from the EU on January 31, 2020, there was an implementation period during which EU law continued to apply in the United Kingdom. This implementation period expired on December 31, 2020. The European Union (Withdrawal) Act 2018 (as amended) provided for the "onshoring" of retained EU law onto the United Kingdom statute book as it applied at the end of the implementation period, and subject to amendments made to reflect that the United Kingdom is no longer an EU Member State. Retained EU law was assimilated into domestic law after the end of 2023 under the Retained EU Law (Revocation and Reform) Act 2023. This means that EU law that started to apply after the end of the implementation period does not apply in the United Kingdom. The United Kingdom is also undertaking an exercise of reviewing and gradually replacing assimilated law with new rules and regulations, with more regulatory requirements expected to be set out in regulators' rules, rather than in statutes. As a result, this has resulted in some divergence between the laws and regulations applicable in the United Kingdom and the EU. This divergence is expected to increase over time and will as such, increase the compliance and regulatory burdens for us as we will need to consider both systems to ensure compliance.

As we expand potentially into new jurisdictions, our business will be subject to applicable laws, regulations, rules and licensing requirements in those jurisdictions, which may be different, or more onerous, than in the jurisdictions in which we currently operate. Being subject to differing regulatory compliance standards in the various jurisdictions in which we operate may increase the costs of regulatory compliance and may lead to adverse outcomes for our business should the demands of the different regulators conflict and ultimately have a material adverse effect on our business, results of operations and financial condition. See "*Regulation and Compliance*."

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

Our business in the United Kingdom is conducted through the UK Regulated Firms, which are Group companies that are authorized and regulated by the Financial Conduct Authority ("**FCA**") to conduct consumer credit and mortgage-related regulated activities. See "*Regulation and Compliance—Regulatory Framework in our Key Jurisdictions of Operation—United Kingdom.*" In addition, Drydens, as a UK law firm, is also regulated by the Solicitors Regulatory Authority ("**SRA**"). Along with the FCA and SRA requirements (as applicable), our businesses need to comply with UK AML/KYC law set out in Proceeds of Crime Act 2002 (as amended by the Serious Organised Crime and Police Act 2005), Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001 and the Terrorism Act 2006 and data protection requirements set out in the Data Protection Act 2018 and UK GDPR. Additionally, the United Kingdom implemented the AIFMD while it was still a member of the EU and "on-shored" it as part of UK law, such that similar requirements continue to apply in the United Kingdom notwithstanding Brexit. However, the AIFMD II involves changes to the AIFMD in the EEA only and does not amend the AIFMD as it forms part of UK law, and the parallel regimes may diverge further in the future.

As of September 30, 2024, 28% (by 84-Month ERC) of the portfolios that we have purchased, including our co-investment in our Funds, were originated in the United Kingdom, where our operations are subject to licensing and regulation by governmental and regulatory bodies, including the FCA, the ICO and the UK Office of Communications. The FCA regards debt collection as a "higher-risk" activity, which is subject to detailed conduct of business rules and, generally, more stringent regulatory standards than "lower-risk" activities. In addition, the FCA has substantial enforcement powers and a broad range of disciplinary measures that it can apply. To date, the FCA has taken action against a number of operators in the consumer credit and mortgage servicing industries including various debt management firms. The FCA may take further action against our industry as a whole that may require significant modifications to how we operate our business, which could have a material adverse effect on our business, results of operations and financial condition.

To maintain full authorization to carry on regulated activities, the UK Regulated Firms are required to continually meet certain organizational and suitability standards (referred to as the "**threshold conditions**"), including that they are "fit and proper" to maintain their authorization. The FCA is required by FSMA to determine whether a firm that is authorized by the FCA continues to meet the threshold conditions. Failure to continually meet the threshold conditions may result in the FCA taking disciplinary action, including commencing a process to vary, suspend or withdraw a firm's authorization. Where an authorized firm breaches FCA rules, the FCA may take enforcement action which might lead it to, for example, impose a financial penalty on that firm or issue a public statement of censure.

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

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

We might also have to introduce changes to our business practices in response to disciplinary action taken against competitors or as a result of the FCA's supervisory activities (such as thematic reviews of the consumer credit and mortgage servicing markets). Remedial actions that may be necessary could increase our costs, reduce our ability to collect from our purchased portfolios, reduce our ability to invest, limit our evolution as an integrated fund management business and otherwise adversely affect our business, results of operations and financial condition. In addition, our risk management and compliance framework may require additional investment and resources to satisfy applicable FCA requirements and we may need to enhance it further to comply with forthcoming and future legal and regulatory requirements.

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

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

Any failure by us or our agents or assignees to comply with applicable laws, regulations, rules and guidance (such as the rules and guidance on irresponsible lending and debt collection, integrated fund management), or material contractual obligations could result in regulatory investigations or enforcement action (that may, for example, lead to fines, obligations to implement remediation programs, the variation, suspension or withdrawal of authorization for some or all of the UK Regulated Firms), court sanctions (that may, for example, render customer agreements, or certain contractual terms therein, unenforceable or require us to repay sums or pay damages to borrowers or investors), FOS examinations (that may, for example, require us to pay compensation) and reputational damage. Further, and as an example, non-compliance with certain provisions of the CCA may render customer agreements unenforceable against the borrower and result in there being no obligation on the borrower to pay interest and charges during the period of non-compliance, and may also require interest and charges that have already been collected to be refunded. As the UK Regulated Firms are dependent on information being provided to them by Investment Portfolio Sellers to enable them to comply with certain obligations under the CCA, a failure to obtain this information at the time of purchase or to ensure that there are suitable contractual obligations on the Investment Portfolio Seller to provide this information could adversely affect the UK Regulated Firms' ability to comply with those obligations. Damage to our reputation, whether due to a failure to comply with applicable laws, regulations, rules and guidance or material contractual obligations, variation, suspension or withdrawal of authorization, or any other regulatory action, could deter investors from selling portfolios to us or investing with us and/or result in our being removed from their sales panels. Moreover, failure by the UK Regulated Firms to comply with consumer protection legislation may lead to customer agreements becoming unenforceable (in part or in whole), which could render the UK Regulated Firms unable to collect purchased debts and, depending on the breach, may result in them losing the right to charge (or retain) interest and other fees or charges under such agreements without taking appropriate remedial action (which could be costly and time consuming) or at all, which may ultimately have a material adverse effect on our business, results of operations and financial condition.

Changes to the legal and regulatory environment in the future in the jurisdictions in which we operate or an increasing volume of legislation may materially impede our business and/or increase our costs.

We operate 22 local platforms and operations across seven geographies in Western Europe. As a result, we are subject to numerous, rapidly evolving and complex laws and regulations which govern, among other things, labor matters, immigration, health, safety and environment, financial reporting standards, corporate governance, ethical standards, tax, trade regulations, export controls, and competitive practices in each jurisdiction where we conduct our business. Furthermore, we need to comply with various local standards and practices of different regulatory, tax, judicial and administrative bodies specific to each jurisdiction in which we operate.

For example, the volume of legislation that is applicable to all of the private credit and consumer mortgage servicing, fund and investment management and asset management sectors in the jurisdictions in which we operate has increased in recent years, and this trend may continue or further increase depending on the prevailing political and regulatory environment and attitudes towards these sectors in the jurisdictions in which we operate. Increasingly, the political and regulatory focus is on ensuring that businesses treat their customers fairly and that business processes throughout the credit cycle are focused on achieving fair outcomes for consumers, from assessing affordability of credit at the outset through to treating borrowers in financial difficulties with forbearance. New laws or regulations or changes in existing laws or regulations (or the manner in which they are interpreted or applied) could subject us to additional operating costs or potentially expose us to additional liability, or otherwise adversely impact the manner in which we operate our business and have a material adverse effect on our business, results of operations and financial condition.

Other legal and regulatory obligations. In the United Kingdom, for example, in addition to the CCA, FSMA, the UTCCR, the CRA and the CPUTR, there are a significant number of other legal and regulatory requirements to which we are already subject, or with which we comply voluntarily. Such requirements may change or may be interpreted or applied differently in the future, and we may become subject to new laws and regulations, such as those related to debt collection, the enforceability of credit agreements, the statute of limitations for enforcement of debt obligations, credit reporting, consumer bankruptcy, the management of consumer debt, integrated fund management, accounting standards, taxation requirements, employment and data privacy and protection.

FCA agenda. The FCA set out a list of its key priorities in its annual Business Plan, and for 2024/25, the key priorities will be applicable to the consumer, wholesale and cross-sector markets, respectively. The FCA will continue their pursuits for consumer protection, while ensuring market integrity and promoting effective competition. Additionally, and specifically relating to cross-sector markets, the focus will be on: financial resilience, operational resilience, fraud, Environmental, Social and Governance ("**ESG**") initiatives, improving diversity and inclusion and relationships with international regulators and enabling a more sustainable financial future. Further, the FCA will focus on facilitating international competitiveness of the UK economy in a way that can secure better outcomes for all consumers, including through greater variety, price and quality of products and services. There is a risk that this, or future, regulatory development, may result in the tightening of UK regulation of, and new restrictions on, the consumer credit and consumer mortgage servicing markets generally, including in relation to the debt purchase and collection business.

AIFMD II. The AIFMD II amending the AIFMD as it applies in the EEA, entered into force on April 15, 2024. Member States now have two years to transpose the AIFMD II rules into national law, meaning that they will apply from April 16, 2026 (with some rules subject to a transitional period). The AIFMD II will impose obligations including: (i) minimum substance considerations that EU regulators will need to take into account during the AIFM authorization process; (ii) enhanced requirements around delegation, including additional reporting requirements in relation to delegation arrangements; (iii) new requirements applying to AIFMs managing funds that originate loans, including leverage and concentration limits, restrictions on lending to certain borrowers and requirements relating to liquidity risk management; (iv) increased investor pre-contractual and periodic disclosure requirements, notably around fees and charges; and (v) a prohibition on non-EU AIFMs and AIFs established in jurisdictions identified as "high risk" countries under the European Anti-Money Laundering Directive (as amended) or the revised EU list of non-cooperative tax jurisdictions. It is possible that the AIFMD

II may require additional costs, expenses and/or resources, as well as restricting or prohibiting certain activities, including in relation to loan-originating products and managers or products established in jurisdictions outside the EU identified as having anti-money laundering and/or tax failings. Moreover, as of the date of this Exchange Offer Memorandum, it is not possible to foresee whether Member States may decide to introduce gold-platings or in any event deviate from the provisions laid down at a European level by the AIFMD II. The AIFMD II involves changes to the AIFMD in the EEA only and does not amend the AIFMD as it forms part of UK law, and the parallel regimes may diverge further in the future.

Changes to commission structures in the United Kingdom. Where we outsource some of our collections to our DCA partners in the United Kingdom on a largely contingent basis, with DCAs being paid a commission based on collections achieved, any change in laws or regulations restricting or prohibiting this practice of Contingent Collections could cause us to have to change such arrangements with our DCA partners to less variable cost structures, such as fixed fee arrangements. This would increase our fixed cost base, thereby causing collection activity and fund management costs (i.e., the direct costs of external collections related to our purchased loan portfolios such as commissions paid to third-party outsourced providers, in-house collection costs, credit bureau data costs and legal costs associated with collections) to rise without necessarily increasing Balance Sheet Cash Collections. Although we are not currently aware of any such proposal in relation to DCAs or other participants in the debt purchase and collection industries, similar restrictions were introduced for independent financial advisers and other firms as part of the Financial Services Authority's retail distribution review. These firms can no longer earn provider-determined commissions for successful recommendations of retail investment products but must instead be paid an adviser charge, which is agreed with retail clients in advance. The FCA is also planning to review the design of commission arrangements for pure protection products offers to retail customers in the context of an upcoming market study. It is also possible that recent scrutiny of failures to properly disclose and obtain customer consent to commission arrangements in the motor finance industry could lead to a wider review of the rules applicable to commission structures and arrangements. If such change were to be implemented in relation to the debt purchase and collection industries this could negatively affect our ability to operate successfully using our current business model, which could have a material adverse effect on our business, results of operations and financial condition.

Indirect effects. Any changes in the rules and regulations of courts in the jurisdictions in which we operate or may in the future operate, which we use regularly to collect on accounts, such as a material increase in applicable fees paid by us, could adversely affect our gross margin.

Data privacy. Any legislative proposals or changes in the rules and regulations governing data privacy could impose new obligations or limitations, which may a material adverse effect on our business, results of operations and financial condition. See "*—The ability to obtain, process, share and retain customer and other data is critical to us and is heavily regulated by privacy, data protection and related laws in the jurisdictions in which we operate and improper disclosure of our clients' sensitive data, consumer data or a breach of data protection laws could negatively affect our reputation, business, results of operations and financial condition*."

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

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

Investment portfolios acquired by our Funds under the lending opportunities strategy face a number of general market and other related risks that may have a material adverse effect on our business, results of operations and financial condition.

Under our investment strategy for lending opportunities, our Funds focus on primary secured credit opportunities mainly within the "living" real estate sector (which typically consists of multi-family residential build-to-rent, build-to-sell, purpose-built student accommodation, retirement living (including specialist care), co-living, as well as hospitality and leisure assets). In addition to the risks of borrower default (including loss of principal and non-payment of interest) and the risks associated with real estate investments generally, real-estate lending is subject to a number of additional risks. These include lack of control, mismanagement or decline in value of collateral, development risk, supplier risk (via third party contractors or other parties involved in the construction process), contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury law and imposition of common law or statutory restrictions on the exercise of contractual remedies in case of defaults. In addition, lending in the real estate sector by our Funds, is also subject to general economic conditions in Europe, including impact of high interest rates (both in terms of the impact on lending rates and real estate prices) and inflationary environment on consumer demand, risks relating to illiquidity of loan portfolios, decline in property valuations and general decline in the European lending market. See "—*Macroeconomic and geopolitical factors may have a material adverse effect on our business, results of operations and financial condition*." Real estate loans acquired by our Funds may be at the time of their acquisition, or may become after origination, participation or acquisition, non-performing for a wide variety of reasons. Non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loans. It may be necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by our Funds, and the foreclosure process can be lengthy and expensive, which could have a material adverse effect on the performance of our Funds and ultimately on our business, results of operations and financial condition.

Further, our Funds investing under our lending strategy may also acquire or extend real estate loans in real estate developments and/or in businesses that engage in real estate development and construction of new properties or properties requiring substantial renovation and repositioning. These investments may be subject to risks relating to the developer's or construction manager's ability to control construction costs or to build in conformity with plans, specifications and regulatory approvals, as well as to meet applicable timetables (including risks beyond the control of our Funds, such as inflation of construction costs, weather or labor conditions or material shortages) as well as compliance with relevant and applicable regulations and laws such as health and safety. The developer's or construction manager's failure to perform may necessitate legal action by the property owner to rescind the purchase or the construction contract or to compel performance. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the value of our Funds' investments and ultimately may have a material adverse effect on our business, our reputation, results of operations and financial condition.

Investing in real estate may expose our Funds to general market-related risks incidental to the ownership and operation of real estate.

Under our investment strategy for real estate equity, our Funds focus on acquiring properties that have meaningful potential for value addition and repositioning. Such investments depend significantly on the ability to generate sufficient and reliable revenues from leases and disposals, which is influenced by several factors, including rent levels, property values, vacancy rates and average lease terms of our property investments. The ability to lease and dispose of property on favorable terms is also subject to the economic and regulatory environment, including: supply and demand for commercial and residential real estate, competition based on rental rates, attractiveness and location of the properties, changes in the availability of debt financing, the imposition of rent controls, energy and supply shortages, cost of construction and changes in laws, governmental regulations (including those governing usage, improvement and zoning), tax or other fiscal policies relating to real estate management and/or ownership. Any decrease in demand for commercial, residential and/or retail real estate (whether due to general economic, demographic, political, or market developments, or due to conditions in particular regions or at particular properties), may result in a loss of rent, reductions in rent, higher vacancy rates, shorter lease terms, or inability to dispose of our Funds' real estate investments at attractive prices or at all, any of which could result in a substantial decline in the overall rental income and the return on our Funds' direct real estate investments and ultimately may have a material adverse effect on our business, results of operations and financial condition.

In addition, the performance of our Funds' real estate investments depend on the solvency of current and future tenants. The creditworthiness of a tenant can decline over the short or medium term and increase the risk that the tenant will become insolvent or otherwise unable to meet its obligations under the lease. If tenants fail to meet their rent payment obligations in whole or in part (for instance, due to a deterioration of their financial situation, their business activities or the regions in which they operate), or if a large number of tenants, or certain key tenants, terminate their leases, and our Funds are unable to find suitable long-term replacements on terms favorable to our Funds, our Funds could suffer a substantial decrease in our overall rental income. This risk may be exacerbated in situations where a Fund let properties to several different entities, which belong to a wider group of companies or the same industry, and if this group of companies were to become insolvent or such industry may be in crisis we may have to replace several tenants at the same time.

Real estate investments are relatively illiquid and, therefore, the Fund Manager's ability to vary our Fund's portfolios promptly in response to changes in economic or other conditions may be limited. There is no guarantee that the fair market value of any real estate investments held by our Funds will not decrease in the future or that our Funds will recognize full value for any properties that our Funds are required to sell for liquidity reasons, which may have a material adverse effect on our business, results of operations and financial condition.

Poor performance by our Funds may adversely affect our management fees and carried interest.

Investors and potential investors in our Funds continuously assess our Funds' performance, and our ability to raise capital for existing and future funds will depend on our Funds' satisfactory performance. Accordingly, poor performance may deter future investments in the Funds managed by us and thereby decrease the capital invested in our Funds. In turn, this could materially adversely affect the size of our assets under management upon which management fees are charged, which could result in a decrease in our income from management fees and ultimately have a material adverse effect on our business, results of operations and financial condition. The development of our assets under management is primarily dependent on our ability to raise capital for new funds, deliver attractive absolute and relative returns to fund investors, the execution of our Funds' growth and diversification strategy and us being able to maintain a strong brand and positive reputation.

Further, poor performance by our Funds could also result in a reduction in the carried interest expected to be received by us from existing and potential future Funds and the amount of carried interest ultimately received by us, or could even result in us receiving no carried interest at all. As a variable consideration, carried interest is fully dependent on the performance of the relevant Fund and such Fund's underlying investments, and poor performance of our Funds and their investments could therefore result in a reduction of our expected revenue from carried interest. Any decline of carried interest in the future could have a material adverse effect on our business, results of operations and financial condition.

We are subject to risks related to conflicts of interest including, but not limited to, conflicts of interests between our Funds and between the Fund Managers and the general partners.

Various conflicts of interest may arise with regard to the activities of each Fund, the Parent, the Fund Manager, and the general partner of each Fund. Failure to appropriately deal with conflicts of interest as they arise, or the appearance thereof, could harm our brand and reputation or incur potential liability, and could have a material adverse effect on our business, results of operations and financial condition.

The Parent and one or more of its affiliates engage in a broad spectrum of activities, including portfolio servicing and investing in opportunities. Such activities, from time to time, conflict or compete with the Funds' investment activities, and, in each case, the interests of the general partner, the Fund Manager and the Fund may not align with those of the Parent or one or more of its affiliates. The Fund Manager and the general partner of each Fund are subsidiaries of the Parent but each entity exercises its role in a manner independent from the Parent, or more broadly, the Group, in order to maximize risk adjusted returns for investors of the relevant Fund. This relationship is a key factor for each Fund's success. However, it may also result in the Fund Manager and the general partner of each Fund having interests and duties which may conflict with the interests of the Parent, or more broadly, the Group. Alignment between the Group and the Funds is created through the Parent generally co-investing alongside our fund investors in portfolio investments through a "separately managed account" structure. However, there is no assurance that the interests and duties of fund managers towards our fund investors will always be consistent with the best interests of the Group and there can be no assurance that the performance of the Group will not be diminished by the close relationship and incentive dynamic due to the Group's affiliation with the Funds. There is also no guarantee that the policies and procedures adopted by the Group, the general partner and the Fund Manager will enable any of them to identify, manage or mitigate any conflicts of interest that impact each Fund or our fund investors.

Furthermore, our Funds have or may have similar or identical investment objectives, strategies and policies. These overlapping investment strategies may result in a competition between our Funds and/or their portfolio companies, which may create a conflict of interest for the Parent and its affiliates. As such, situations may arise where an investment opportunity falls within the investment parameters of any of our Funds. Although we have policies and procedures in place to provide for the allocation of investment opportunities where an investment opportunity falls within the investment strategy of more than one Fund, there can be no assurance that such procedures will avoid or mitigate any conflicts of interest that impact the Funds in a timely manner or at all. For example, and without limitation, certain potential conflicts of interest are expected to arise in situations in which our Funds have made investments in different parts of the capital structure of the same company. There are no limitations on the size or number of funds and/or other similar investment vehicles that may be managed or advised by the Parent and/or its affiliates, which may exacerbate this risk of conflicts of interest further in the future. Any such conflict of interest may result in the Fund not performing to the standards that it is expected to perform to.

The Group's management team comprises individuals who have worked with the Parent for a significant time, have extensive working relationships within the Group and are expected to retain economic alignment with the Group including through unvested or retained equity-based awards. In addition, the Group's management team may also have compensation and governance structures which are designed to promote alignment of interests between the Group's management and the Funds. Therefore, there may be a situation where the Group's management consider the interests of Funds ahead of those of the Group.

Additionally, our local platforms provide services to a majority of our Fund's portfolio investments, and we earn a profit on such servicing activities, which are not for the account of the investors of the Fund. While such activities may provide synergies with respect to the operations and performance of the Group, the Fund Manager and the fund investors, there are inherent conflicts of interest in such arrangements. When our local platforms act as a servicer with respect to any Fund portfolio investment, any commissions, fees, compensation and other terms and conditions charged by the Group must be on an arm's length basis. The Fund Manager and Funds have an independent interest in obtaining compensation and other terms that are favorable to the Fund investors and not to the Group. This might result in the Group performing services for prices which are not economically viable or may result in the Funds seeking services from other entities. There is no assurance that such conflicts will not have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

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

We are subject to voluntary codes of conduct, the failure to comply with may harm our reputation and our ability to compete in the debt purchase and integrated fund management markets.

We comply, and may have to comply, with further industry guidance and voluntary codes of conduct or practice, particularly as many third-party servicing clients expect us to comply with non-mandatory requirements that have come to be seen as essential, rather than merely "good market practice." The Standards of Lending Practice in the United Kingdom (previously the Lending Code) is a prominent example of a voluntary code that has become standard in practice. Compliance with such voluntary codes bears additional financial and operational burdens due to higher regulatory and compliance standards to be followed. Failure to comply with such voluntary codes may harm our reputation and our ability to compete in the debt purchase and integrated fund management markets, among other things and ultimately have a material adverse effect on our business, results of operations and financial condition.

The ability to obtain, process, share and retain customer and other data is critical to us and is heavily regulated by privacy, data protection and related laws in the jurisdictions in which we operate and improper disclosure of our clients' sensitive data, consumer data or a breach of data protection laws could negatively affect our reputation, business, results of operations and financial condition.

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

European privacy laws. The GDPR, and the GDPR as it forms part of the law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 as amended ("**UK GDPR**"), and national laws implementing and supplementing the same, impose a considerable compliance burden on the asset management and debt purchase industries and restricts our ability to use data, including through the requirement for informed opt-in consent by clients to the processing of their personal data in certain circumstances, granting clients a "right to be forgotten" (which may give the clients the right to have their data deleted in certain cases), imposing restrictions on taking decisions about individuals based solely on automated processing of their data, imposing disclosure requirements about data sources to our clients and, depending on the breach, imposing a fine for compliance failures of up to 20 million euros under the GDPR and up to 17,500,000 pounds sterling under the UK GDPR, or, in the case of an undertaking, up to 4% of annual global turnover of the preceding fiscal year, whichever is higher. In addition, the GDPR and UK GDPR increases the ability of data subjects to recover substantial damages for breaches of the legislation, and allows representative bodies (such as consumer organizations) to make claims on behalf of data subjects. We, along with other market participants, have also experienced a significant increase in the number of subject access requests. These changes have increased and may continue to increase our data protection compliance costs and restrict our ability to conduct our business, which may have a material adverse effect on our business, results of operations and financial condition. Furthermore, the ePrivacy Directive (Directive 2002/58/EC), which has been transposed into national law in each EU Member State and the United Kingdom, sets out specific rules regarding direct marketing communications and the use of cookies (and similar tracking technologies).

Were we to expand our operations into other jurisdictions, we would be subject to additional local requirements which might give rise to similar or additional risks. Any failure to comply with the foregoing could result in the revocation of our licenses, enforcement notices, monetary fines, criminal charges, breach of contract damages, prohibition on processing personal data, and reputational damage. For example, the Dutch data privacy regulator is undertaking an industry-wide review regarding the alignment of the credit bureau industry with GDPR requirements in which one of our Dutch subsidiaries, Focum Solutions B.V. ("**Focum**"), is included. As part of this review, the regulator has raised concerns with Focum regarding compliance and application of these requirements focusing on its legitimate interest. See "—*We are subject to ongoing risks of litigation, investigations and proceedings, including under consumer credit, collections, for our investment activities and other laws*."

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

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

In addition, there are a number of legislative proposals or recently enacted laws in local and foreign jurisdictions that could impose new obligations or limitations in areas affecting our business. For example, in the EU, the European Commission's draft Regulation of Privacy and Electronic Communications, which contains updated rules on, among other things, the use of cookies (and similar tracking technologies), direct marketing and communications data, may in due course replace the current ePrivacy Directive (Directive 2002/58/EC). Other potentially relevant regulations in the EU include the Digital Operational Resilience Act (Regulation (EU) 2022/2554) and the legislative proposal of the Financial Data Access Regulation, the AI Act (Regulation (EU) 2024/1689). See also "*—Risks and uncertainties related to the development and use of AI could have a material adverse effect on our business, results of operations and financial condition.*" We cannot predict how these and other data laws may develop, or how they will be applied or interpreted by regulators and courts, and they could adversely affect our business, financial condition and results of operations.

Our ESG framework could become subject to additional regulation, regulatory scrutiny, penalties or enforcement in the future, and we cannot assure you that our ESG framework will meet future regulatory requirements, reporting frameworks or best practices.

There is a growing regulatory interest across jurisdictions, particularly in the United States, the United Kingdom and the EU, in improving transparency around how asset managers define and measure ESG performance to allow investors to validate and better understand sustainability claims. For example, on August 23, 2023, the SEC adopted rules enhancing the regulation of private fund advisers, which includes requirements with respect to the disclosure of certain information to investors that could affect the way certain ESG-related information is shared. In February 2022, the European Securities and Markets Authority ("**ESMA**") also published its Sustainable Finance Roadmap for 2022 to 2024, which sets out the priority areas for enforcement and specifies that tackling greenwashing and promoting transparency together constitute one of ESMA's three priorities for its sustainable finance work over that period. In the EU, various ESG-related regimes may apply to or otherwise affect us, our Funds or the AIFMs, including the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088), the Taxonomy Regulation (Regulation (EU) 2020/852) and the Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464). Additionally, asset managers have been subject to recent scrutiny related to ESG-focused industry working groups, initiatives, and associations, including organizations advancing action to address climate change or climate-related risk. Our ESG program could become subject to additional regulation, regulatory scrutiny, penalties or enforcement in the future, and we cannot assure you that our current ESG policy and framework will meet future regulatory requirements, reporting frameworks or best practices. Further, such ESG related policies, legislation, initiatives, could result in increased cost of compliance and also result in penalties, in cases of non-compliance, which could ultimately have a material adverse effect on our business, results of operations and financial condition. Non-compliance with ESG requirements could also impact investment returns directly, if for example we cannot meet investors' relevant ESG criteria at a given investment maturity, by way of impacting availability of exit opportunities and pricing.

There can be no assurance that we will be successful in assessing the investment risk of the different portfolio investments or mitigating the impact of investment risk changes on our Funds.

We acquire a broad range of investment portfolios, predominantly within our Funds, and these investments have different characteristics that can affect the realization. Investment risk on our investments refers to the likelihood that the realization will be below our expectations and can arise due to a number of factors, such as a reduction in the sales value of the underlying collateral or real estate, default by a borrower on the payment of principal or interest, non-receipt of other amounts to be realized, the subordination of investments to bespoke senior financing arrangements or the rise of capital expenditures or other costs of realization. Certain portfolio investments may involve real estate or other forms of collateral and the lack of or a deterioration in the value of, such collateral or other assets, which are expected to be the source of repayment, may affect the total realizations. Other portfolio investments may include loans having an interest only payment schedule with the principal amount remaining outstanding and at risk until the maturity of such portfolio investment. Financial strength and solvency of a borrower are the primary factors influencing credit risk, but other factors, including a borrower's failure to meet its business plan, a downturn in its industry or negative economic conditions may also contribute to credit risk. Similarly, a reduction or inability to drive value from any credit enhancement for an investment portfolio, such as a guarantee, may affect its credit risk. Some of the portfolio investments by our Funds in a borrower (including potential equity investments upon an enforcement event) may be subordinated to a senior lender, and our Funds' interest in any collateral would, accordingly, likely be subordinate to another lender's security interest, which may result in our Funds not being able to enforce the security, in a scenario of a default by the borrower, until the interests of the senior lender are fulfilled. If any of the foregoing were to materialize, this could have a material adverse effect on the performance of our Funds and on our business, results of operations and financial condition.

We may not be successful in achieving our strategic objectives and may fail to design and implement a target operating model in line with our strategic objectives.

We may not be successful in developing and implementing our strategic objectives for our business, including among others, maintaining our market share in our core geographies, as well as expanding into new geographies. If the development or implementation of such plans is not successful, we may not produce the revenue, margins or earnings that we need to be successful and to offset the impact of adverse economic conditions that exist currently or may develop in the future. We may also face delays or difficulties in implementing process and system improvements, which could adversely affect our ability to successfully compete in the market we serve and our Funds' ability to raise funds. In addition, the costs associated with implementing such plans may exceed anticipated amounts and we may not have sufficient financial resources to fund all of the desired or necessary investments required in connection with our objectives.

We are subject to the risk of failure to design and implement a target operating model in line with our strategic objectives. We are particularly subject to the risk that our local platforms fail to deliver the requirements of our strategic objectives. Our target operating model is designed to provide responsibility and accountability to our local platforms to achieve alignment with our Group-wide objectives. This is further supported by alignment of senior leadership team roles, responsibilities and incentives, and review of governance arrangements to ensure our three lines of defense model, remains robust and aligned to our risk profile.

We have implemented an attestation framework pursuant to which our platforms attest quarterly in relation to the implementation of our Group-wide policies and risk management framework, and provide a detailed report on key risk, compliance and audit activities and matters. There is no assurance that our target operating model is sufficiently robust to provide the early warning signs of, or prevent, operational failures by our local platforms. There is also no assurance that our three lines of defense model will continue to perform in the way we expect. If these models fail to perform as expected, it could have a material adverse effect on our business, results of operations and financial condition.

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

Our business also depends on our ability to purchase, typically through co-investments in our Funds, a broad range of investment portfolios across performing, non-performing and non-core portfolios that contain a range of assets, including but not limited to unsecured consumer debt, secured consumer debt, other secured debt, real-estate assets and commercial assets. Our ability to fund such purchases, including through co-investments in our Funds, depends on our ability to re-invest income received directly or indirectly from the underlying investments, and our ability to raise funding from the debt or equity capital markets or the loan market and/or to raise asset specific funding for certain investments in the future. This will depend on our performance and prospects, as well as factors over which we do not exercise control. Such factors may include weak economic, lending environment and capital market conditions, the ability and willingness of banks to lend to our industry generally, or to us in particular, and changes in fiscal, monetary and other government policies, among others. If we do not have sufficient headroom in the New Revolving Credit Facility (or if it is fully drawn), we may be unable to draw down the New Revolving Credit Facility or otherwise raise funds on acceptable terms, or on a timely basis, to co-invest in our Funds in amounts larger than the available headroom, limiting the range of co-investments we could make. The New Indenture will place restrictions on our ability to incur indebtedness. If we are unable to borrow, generate or otherwise obtain sufficient funds to co-invest on attractive terms, or at all, when opportunities arise, our business, results of operations and financial condition may be materially adversely affected.

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

We use internally developed models and other internal or third-party data analytics tools extensively in our business operations. For example, we use a portfolio valuation model to project remaining cash flow generation from investment portfolios, our ERC and our Net Deal IRR. However, at the time of investment, we are likely to have imperfect information about the ability of the customer to pay, the valuation of real estate assets, the time at which the customer will pay or the real estate will be disposed of and the cost required to service and collect on such debts/assets and it may take several years for us, or our Funds, to recoup the original purchase price of investments in portfolios. Moreover, information based on historical market behavior and statistic-based historical models may not accurately predict, or be indicative of, the characteristics of subsequent portfolios purchased from the same industry due to changes in business practices or economic developments. In addition, if we or our Funds purchase types of portfolios with which we have limited experience, or purchase portfolios in geographies in which we have no prior experience, our ability to properly price and to collect on such portfolios may be adversely affected.

Our statistical models and analytical tools assess information provided by third parties, such as credit bureaus and other mainstream or public sources, or generated by software products. These models, together with our local expertise, external or desktop valuations for secured assets and our assessment of recoverability for certain assets, are used within the business to formulate the ERC, which is a key input to the valuation of portfolio investments held on our balance sheet or that of our Funds. These models also use an assessment of the economic conditions and future actual collections performance may be different from the modelled ERC. Further, inadequate underwriting analysis or inadequate assessment of cost/time to collect or subsequent portfolio performance may have an impact on the formulation of our ERC.

If we are not able to achieve forecasted levels of collections, valuation impairments may be recognized, amortization may increase, and revenue and returns on portfolio purchases made by us, or by our Funds, may be reduced. For example, we recognized an impairment equal to £35.6 million for the year ended December 31, 2023 relating to non-cash adjustments to underlying ERC, driven by the weak macro-economic environment and a relatively high interest rate environment. There can be no assurance that we will not recognize further impairments in the future. In particular, due to intense macroeconomic and geopolitical challenges, including high rates of inflation resulting in several rounds of interest rate increases in the markets in which we operate, adversely impacting real estate prices, consumer demand and borrowing costs, which in turn could affect the value of our investment portfolios, we may in the future be required to record additional impairments with respect to our portfolio investments. See also "*—Macroeconomic and geopolitical factors may have a material adverse effect on our business, results of operations and financial condition*." These risks may be exacerbated to the extent our statistical models and analytical tools fail to accurately forecast the key performance indicators. See also "*We use a number of estimates and assumptions in the preparation of our consolidated financial statements, which could prove to be incorrect or cause our earnings to fluctuate*."

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

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

Our core data analytics systems and customer databases provide information that is important to our business. We rely on publicly available data provided by multiple credit reference agencies, servicing partners and other sources, to operate our business. For example, Focum in the Netherlands provides customer information to minimize credit and payment risks for businesses. Any loss of access to the use of such data would impact the reliability of our models and/or our platforms. Additionally, we could lose a significant competitive advantage and our business could be negatively affected if:

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

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

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

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

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

Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition, including an impact on the ability to further evolve as an integrated fund management business.

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

We rely on key relationships with banks, other financial and non-financial institutions, law firms, brokers, third-party IT providers and data providers such as Experian, among others, to conduct our business.

A significant decrease in the opportunities to purchase investment portfolios on acceptable terms from any of our principal service providers or brokers would force us to seek alternative sources of debt/assets to purchase or loans to extend. In addition to the factors that impact the supply of investment portfolios generally, service providers with whom we have strategic relationships may not continue to sell such portfolios to us, or to our Funds, on desirable terms or in acceptable quantities, and we may not be able to replace such purchases with purchases from other service providers. We may be unable to find alternative sources from which to purchase investment portfolios and, even if such purchases could be successfully replaced, the search could take time or the debt/assets could be of lower quality or higher cost, any of which could materially adversely affect our business, results of operations and financial condition.

While our Funds use our local platforms for the servicing of a majority of the portfolio investments, our Funds still contract various servicing activities to third-party companies. Any such service provider's breach of the applicable agreements or the failure of such service provider to make decisions, perform its services, discharge its obligations, deal with regulatory agencies or comply with laws, rules and regulations affecting the particular portfolio investment, including environmental laws and regulations, in a proper manner, or to act in ways that are in the applicable portfolio investment's best interest could result in material adverse consequences to the portfolio investment or the cash flow generated by the portfolio investment. Moreover, any such termination may require the Fund to pay termination or other related expenses. Should a service provider, including our local platforms, fail to perform under any applicable agreements between it and the Fund, we, as the Fund Manager, may need to find a replacement service provider.

We also rely on key third-party IT service providers to supply the majority of our core IT applications, systems, infrastructure, back-up, storage, data recovery and disaster recovery systems and the loss of IT support could have a material adverse effect on our business, results of operations and financial condition. See "*—Our operations are highly dependent upon access to, and the functioning and security of, IT applications, systems and infrastructure. A cyber-attack within the business or through the supply chain that impacts systems, processes, or data, compromising the confidentiality, integrity or availability could result in financial losses, regulatory sanctions, and reputational damag*e."

Moreover, if any of our significant servicers, data providers such as Experian or other credit reference agencies or our third-party technology providers terminate or modify their relationship with us, our business, results of operations and financial condition could be materially adversely affected.

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

We rely on our third-party service providers, external valuers, asset managers and law firms to direct collection activities, servicing and asset management activities, to ensure compliance, and to prepare forecasted collection estimates in connection with our and our Funds' portfolios. Our evolution as an integrated fund management business has increased the reliance that we place on a number of counterparties, such as the MoME. We rely on these third parties to effectively manage collection operations, undertake aspects of our integrated fund management business, preserve a variable cost structure and to meet our servicing needs efficiently, but these third parties may not have the resources, employee training or management experience that we require. Furthermore, if our third-party service providers were to underperform in their servicing activities and poorly manage our assets, this may reduce our returns, which may ultimately have material adverse effect on our business, results of operations and financial condition.

Further, these third parties could commit fraud with respect to asset valuations, the customer accounts and portfolios that we place with them or fail to comply with applicable laws and regulations such as data protection requirements or to provide us with accurate data on the accounts they are servicing. Also, if any third-party carrying on regulated activities were unable to obtain regulatory authorization at the relevant time, we may have to recall accounts from that third-party, which could interrupt customer payments and result in financial loss for us.

To the extent these third parties violate laws, other regulatory requirements or their contractual obligations to us, or act inappropriately in the conduct of their business, our business and reputation could be negatively affected or penalties could be directly imposed on us, as, in the United Kingdom for example, the FCA expects regulated businesses, such as the UK Regulated Firms, to comply with its rules and guidance on outsourcing, which means that regulated businesses need to carefully select any third parties with whom they work and, to a certain degree, take responsibility for any third-party compliance violations. In addition, if any third party were to enter insolvency or distress, then this could result in a loss for the Group, which may ultimately have a material adverse effect on our business, results of operations and financial condition.

Furthermore, the ICO in the United Kingdom, or any other data or similar regulatory body in other of our jurisdictions, could hold us directly liable for any failure by our servicers to comply with data protection and other regulatory requirements. Furthermore, we may not be aware of the occurrence of any such violations.

Although we may select servicers based on prior relative performance, there is no guarantee of future performance, and any underperformance on the part of servicers and other counterparties, whether as a result of failing to meet the financial targets required by us or otherwise, could have a material adverse effect on our business, results of operations and financial condition.

It can take several years to realize cash returns on our and our Funds' investments, which can expose us to the risk of changes in the economy, the regulatory environment, our business or our industry.

It may take several years for us or our Funds to recoup direct and indirect investments, before taking into consideration our operating costs, financing costs, taxes and other factors. Our and our Funds' investments are typically measured on a projected return basis over seven or more years. During this period, changes may occur in the economy, the regulatory environment, our business or our industry, any of which could lead to a reduction in our ERC, a significant reduction of which could cause us to record an impairment of the value of our investments. Given the multi-year payback period on investments, we and our Funds are exposed to the risk of any such changes for a significant period of time. Additionally, we may not be able to identify economic trends or make changes to our investment strategy in a timely manner, which could result in a loss of our and our Funds' investments value.

This risk is further exacerbated by debt purchased as part of our and our Funds' debt portfolios that may not be eligible to be collected at all, may not be eligible to be collected to the degree expected by us at the time of purchase or not at the costs expected to be incurred in connection with the collection of such debt at the time of purchase. Such underlying debt may be invalid, not existing or unenforceable, the risk of which is even higher as we enter new geographical markets or expand our portfolios to comprise debt with characteristics we are not accustomed to and of which we may not yet have sufficient historical data. If any such risks were to materialize, it may have a material and adverse effect on our business, results of operations and financial condition.

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

We have experienced significant growth in our business since launching our inaugural fund in late 2019 and have developed three investment verticals in credit, real estate and lending. Future growth and our evolution as an integrated fund management business, among other things, could place a strain on our resources, including but not limited to resources in our portfolio pricing, origination, change management, information technology, tax, legal, finance and accounting and other departments, as well as require the expansion of our procedures for monitoring internal accounting functions, risk management and continued compliance with regulatory requirements and our reporting obligations. Our expansion across new investment opportunities, within markets or to new markets will require additional investment of both financial and management resources to ensure that the business performs as a single enterprise and that the oversight and monitoring processes are applied consistently in all locations. Any resulting growth of our employee base may also increase our need for internal audit, training and monitoring processes that are more extensive and broader in scope than those that we have historically required. Failure to manage our growth effectively could have a material adverse effect on our business, results of operations and financial condition. See also "*—We may make acquisitions or pursue joint ventures, business combinations or other investments that prove unsuccessful or strain or divert our resources*."

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

In addition to our acquisition of investment portfolios, including through co-investments in our Funds, we may seek to grow our business by acquiring or combining with other businesses through purchases of either assets or corporate entities, as we have with the acquisitions of businesses such as Maslow, Eagle Street, Blue Current Capital (part-owned by Arrow), Amitra and Interboden. For further details of the key acquisitions we have made, see "*Business—Our History and Development*." Successful growth through future acquisitions is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favorable terms and ultimately complete such transactions and integrate the acquired business into the Group. Further, we face challenges from complex investments, large servicing contracts, new investment strategies or integrating new platforms.

If we make acquisitions, we may not be able to generate expected margins or cash flows, or to realize the anticipated benefits of such acquisitions, including growth or expected synergies. Our assessments of, and assumptions regarding, acquisition targets may prove to be incorrect, and actual developments may differ significantly from expectations. We may not be able to integrate acquisitions successfully into our business or such integration may require more investment than expected, and we could incur or assume unknown or unanticipated liabilities or contingencies with respect to, among others, customers, employees, suppliers, government authorities or to other third parties. Further, we or our Funds may, from time to time, enter into certain transactions designed to hedge against interest rate, currency or other risks related to acquisitions. The costs associated with such hedging transactions can be substantial and, in most cases, are not capped. In addition, we or our Funds may enter into certain acquisition agreements that subject them to potential "broken deal" costs and fees and/or other liabilities resulting from the failure of the acquisition to close or other related circumstances. These would not only decrease the net returns of our Funds, but could also adversely affect our results of operations. Acquisitions of businesses that operate in jurisdictions other than the jurisdictions in which we operate would subject us to market practices, as well as regulatory requirements, that differ from those we currently are familiar with, which may subject us to unanticipated risks.

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

- legal, regulatory, contractual and other issues;
- accounting impairments;
- difficulty in standardizing information and other systems;
- difficulty in realizing operating synergies;
- diversion of management's attention from our day-to-day business; and

- failing to maintain the quality of services that we have historically provided.

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

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

Any arrangement in which we do not fully control business operations has in the past presented, and may in the future present, greater financial, legal, operational and/or compliance risks and may have a material adverse effect on our business, results of operations and financial condition.

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

We have acquired a number of businesses over the recent years. For example, most recently, we acquired Amitra, a Spanish master servicer from Canada Pension Plan Investment Board, on May 13, 2024, and the operating platform and assets of Interboden GmbH & Co. KG, along with certain of its subsidiaries, on June 3, 2024.

We undertake due diligence as part of any acquisition to identify known and unknown liabilities and as part of the acquisition, the seller typically provides customary warranties and indemnities with respect to certain costs and losses that we may incur as a result of these acquisitions. However, the warranty and indemnity coverage typically provided is subject to a cap, is limited in duration and does not cover all losses that we or our Funds may incur. Consequently, we or our Funds may be exposed to certain liabilities for which we will not be entitled to recover for breach of warranty and/or indemnification, or the warranties and indemnities the sellers provided may be insufficient to compensate us for these liabilities. Such losses would need to be borne by us, or by our Funds, as the case may be. There may also be contingent or other liabilities unknown to us which could have a material adverse effect on our business, results of operations and financial condition.

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

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

Our information systems could be adversely affected by events outside our control, including, without limitation, terrorist acts, natural disasters, telecommunications and network failures and power losses. Our computer systems, our data stored on third-party servers or applications by means of "cloud computing," our software and our networks may be vulnerable to unauthorized access (from within our organization or by third parties), computer viruses or other malicious code and other cyber threats that could have a security impact.

Cyber-attacks, in particular, have become far more prevalent in the past few years, leading potentially to the theft or manipulation of confidential and proprietary information and other assets such as intellectual property or loss of access to, or destruction of, data on systems. They may interfere with the processing of transactions, cause the release of private investor information or other confidential information, damage or prevent the operation of power generation facilities owned by our Funds, subject our Funds to regulatory fines and/or financial losses and cause reputational damage. Threat actors may also leverage emerging AI technologies to develop new hacking tools, exploit vulnerabilities, obscure their activities, and increase the difficulty of threat attribution. Similar types of cybersecurity risks are also present for other market participants, which may have material adverse consequences for us, or our Funds, and may cause the relevant investments to lose value. If one or more of such events were to occur in respect of our systems, our data, our software or our networks, it potentially could jeopardize our confidential and other information processed and stored in, and transmitted through, our computer systems and networks or third-party platforms, or otherwise cause interruptions or malfunctions in our operations. Moreover, third party service providers on whom we have become increasingly reliant for certain aspects of our business, including for certain information systems, technology and the administration of certain funds, could be impacted by an inability to perform due to failures of, or attacks on, their information systems and technology.

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

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

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

We may not be successful in anticipating, managing or adopting technological changes on a timely basis, which could reduce our profitability or disrupt our operations and harm our business. While we believe that our existing information systems are sufficient to meet our current demands and continued expansion, our future growth may require additional investment in these systems. We depend on having the capital resources necessary to invest in new technologies to acquire and service our debt portfolios. We cannot ensure you that adequate capital resources will be available to us when we need to make such investments.

As part of providing asset management services to our third-party clients, we may be required to build new servicing platforms, enhance our existing servicing platforms and make improvements to our IT infrastructure that may result in technical and operational difficulties that, among other things, cause expenditure overruns against budget and delays that may have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

In addition, others may obtain knowledge of these trade secrets through independent development or other access by legal means or illegal means, such as through a cyber-attack. See *"—Our operations are highly dependent upon access to, and the functioning and security of, IT applications, systems and infrastructure. A cyber-attack within the business or through the supply chain that impacts systems, processes, or data, compromising the confidentiality, integrity or availability could result in financial losses, regulatory sanctions, and reputational damage*."

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

Risks and uncertainties related to the development and use of AI could have a material adverse effect on our business, results of operations and financial condition.

We, along with many of our third party suppliers and software providers, are increasingly applying AI-based technologies, including generative AI, to our services and solutions, as well as to our own internal operations. If we fail to continue to develop and/or deploy leading AI services and solutions, including generative AI, we may lose our competitive position and fail to realize the anticipated benefits of our investments in AI. AI technologies are complex and rapidly evolving. As these technologies evolve, some services and tasks currently performed by our people will be replaced by automation, including AI-enabled solutions. This may simultaneously improve the productivity of our professionals, while also reducing demand for our services and/or adversely affect the utilization rate of our professionals.

As the development, adoption, and use of AI technologies are still in the early stages and involve significant risks and uncertainties, which may expose us to legal, reputational and financial harm, we impose strict controls around their development and deployment across our Group. AI algorithms and training methodologies may be flawed and datasets may be overbroad, insufficient, or contain biased information. Moreover, the use of AI may give rise to risks related to accuracy, bias, intellectual property infringement or misappropriation, data privacy and cybersecurity, among others, and also bring the possibility of new or enhanced governmental or regulatory scrutiny, litigation or other legal liability, or ethical concerns that could adversely affect our business, results of operations and financial condition.

Evolving rules, regulations, and industry standards governing AI may require us to incur significant costs to modify, maintain, or align our business practices, services and solutions to comply with U.S. and non-U.S. rules and regulations, the nature of which cannot be determined at this time and may be inconsistent from jurisdiction to jurisdiction. Several jurisdictions where we operate are considering or have proposed or enacted legislation and policies regulating AI and non-personal data, such as the EU's AI Act (Regulation (EU) 2024/1689) and the

United States' Executive Order on AI. These regulations may impose significant requirements on how we design, build and deploy AI and handle non-personal data for ourselves and our clients or limit our ability to incorporate certain AI capabilities into our offerings. Any failure or perceived failure by us to comply with AI-related laws, rules and regulations could result in proceedings or actions against us by individuals, public authorities or others. We could incur significant costs in investigating and defending such claims and, if found liable, pay significant damages or fines or be required to make changes to our technology and business. Further, any such proceedings and any subsequent adverse outcomes may subject us to significant negative publicity. If any of these events were to occur, our business, results of operations and financial condition could be materially adversely affected.

While we operate a strict control framework and aim to develop and use AI responsibly and attempt to identify and mitigate ethical and legal issues presented by its use, we may be unsuccessful in identifying or resolving issues before they arise. Any failure to address concerns relating to the responsible use of AI technology in our services and solutions may have a material adverse effect on our business, results of operations and financial condition.

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

Our IT infrastructure is built to provide flexibility, control, resilience and cost effectiveness and we operate a Microsoft first, cloud-based / virtualized approach. As such, we outsource certain IT applications and infrastructure, including hosting, back-up, data storage, network services and other services to third-party service providers. We may not be able to find and retain alternative providers if our current or future providers become financially unstable in the future, are not performing at a level expected of them by us or are no longer able to service our needs. If we are not able to find and retain suitable alternative service providers on a timely basis and on commercially acceptable terms as and when needed, our business, results of operations and financial condition may be materially adversely affected.

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

We may not be successful in anticipating, managing or adopting technological changes within the debt purchase, fund and asset management and financial services industries on a timely basis, which could reduce profitability or disrupt operations and harm our business. While we believe that our existing information systems and infrastructure are sufficient to meet current demands and continued expansion, our future growth may require additional investment in these systems. In particular, our further evolution as an integrated fund management business is likely to require additional IT systems and infrastructure as it grows. We depend on having the capital resources necessary to invest in new technologies, such as AI, to acquire and service our portfolios. We may not have adequate capital resources available when we need to make such investments and if we are unable to obtain such resources, there could be a material adverse effect on our business, results of operations and financial condition.

The need to adapt to customers' changing circumstances and changes to real-estate markets may result in reduced collection activity and increased fund management costs, reduced cash flow or imprecise modeling.

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

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

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

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

In addition, pursuant to the Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020, customers resident in England or Wales may apply for a moratorium of up to 60 days in certain circumstances (broadly speaking, where they are unable to pay their debts as they fall due and are seeking professional advice with a view to finding an appropriate debt solution). Customers may apply for a separate, longer moratorium if they are receiving mental health crisis treatment (lasting as long as the treatment period plus 30 days). In either case, if a customer's application for a moratorium is successful, our ability to collect on the relevant account may be limited during the relevant period as (unless the relevant debt falls into certain excluded types of debt) we would be unable to take enforcement action or require a customer to pay any interest, fees, penalties and charges that would otherwise accrue during the period.

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

Debt and other types of portfolios do not become available for purchase on a consistent basis during the year. Accordingly, there may be times when a number of portfolios, or particularly large portfolios, become available for purchase concurrently, which may prevent us from pursuing all of the purchase opportunities, given the availability of capital and / or internal resources.

The inconsistency in the availability of portfolios for purchase may mean that during certain financial reporting periods we may make few or limited purchases of portfolios. In addition, large purchases at the end of a financial period would likely have a material and adverse effect on our reported financial ratios. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Seasonality*."

In addition, there are several reasons why the cash flows generated from portfolios may be uneven. As we or our Funds purchase a broad range of portfolios, some of which may comprise a portion or the entirety of real-estate assets, the collection on such portfolios may be realized only when the asset is sold. In some circumstances, the collection will be maximized by incurring capital expenditure before sale and therefore the time to realize collections can be uncertain. Furthermore, we or our Funds may acquire portfolios with an uneven collections profile.

Also, there can be a gap between the time of acquisition of a portfolio and the time that we or our Funds begin earning collections and/or returns on the acquired portfolio, as we or our Funds may need to incur capital expenditure on real-estate assets or formulate the most effective collections strategy. As a result, we or our Funds may experience uneven cash flows and delays in generating income from purchased loan portfolios. For example, if we were to acquire a material portfolio at the end of a reporting period then this would increase Net Debt or reduce our cash on hand without generating cash or contributing to Adjusted EBITDA for the relevant period, which could have a material adverse effect on our business, results of operations and financial condition. See "—*We may not be able to procure sufficient funding to purchase investment portfolios as they become available on acceptable terms or at all*."

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

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

The collection of debt involves interpretations of contractual terms that may vary by debt originator, which may impact the calculation of consumers' resulting payment obligations and the collection strategies we employ. The failure to be able to properly enforce security may result in a loss of expected collections or the inability to recover on a loan. The inherent complexity of debt calculation and historical inaccuracies may result in our failure to choose the appropriate collection strategies and could lead to incorrect payment calculations in the future.

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

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

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

Negative publicity about us, our industry or other industry participants could cause impacts on our fund management business by restricting the ability to raise additional capital from fund investors or impacting the ability to transact or provide services to third party counterparties, or could cause consumers to be more reluctant to pay their debts in full or at all, or more willing to pursue legal actions against us (including through claims management companies or other similar third-party agencies), even if such actions are not warranted. Publicity could originate from any of the following:

- online, print and broadcast media may publish, from time to time, stories about the debt collection or debt purchasing industry that may cite specific examples of real or perceived abusive collection practices as well as regulatory investigations and enforcement actions. Online articles, blogs and tweets, in particular, can lead to the rapid dissemination of a story and increase the exposure to negative publicity about the debt purchase and debt collection industry in general or in relation to us in particular, including in relation to our evolution as an integrated fund management businesses;

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

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

Negative publicity could also result from our being named in published industry complaint data sites, our receiving negative attention due to internal disputes, including disputes with former employees, or other service partners having been alleged to, or having been found to, have violated the law or regulatory requirements or acted inappropriately in their conduct of business. As consumer awareness continues to increase, there may be an increase in the level of complaints. Any such negative publicity could jeopardize our ability to raise further funds from limited partner investors in support of our further evolution as an integrated fund management business or diminish our attractiveness as a counterparty generally. Negative publicity could also result from media interest in the actions or behavior of any of our directors or senior management. Any of the foregoing could impact our relationships with regulators, other servicers, our clients, our limited partner investors, our stakeholders or other market participants, and may have a material adverse effect on our business, results of operations and financial condition.

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

As we have grown our fund management business and acquired new platforms, we have undertaken certain changes to the Board and senior management of the Group. The loss of the services of one or more of our key management team members, including Zachary Lewy (chief executive officer ("**CEO**") and chief investment officer ("**CIO**")), Philip Shepherd (Chief Financial Officer ("**CFO**")) and John Calvao (Fund Principal) or any of our other key employees, could disrupt our operations. See "*Management*." There can be no assurance that we will be able to successfully implement such changes in our management and organizational structure. Any such changes may also result in the disruption of our business and operations.

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

In addition, under the UK Regulatory Senior Managers and Certification Regime, for example, certain individuals are required to obtain FCA approval to carry on specified functions within the UK Regulated Firms (including, for example, the roles of the CFO and executive and non-executive directors). If a person seeking to perform a senior management function (as defined in "*Regulation and Compliance—Regulatory Framework in our Key Jurisdictions of Operation—United Kingdom—Senior Managers and Certification Regime*") is unable to gain approval from, or subsequently has their approval withdrawn by, the FCA, they would be unable to perform, or continue to perform, the senior management function in question and a suitable replacement would need to be found and would need to be approved by the FCA for that role. See "*Regulation and Compliance—Regulatory Framework in our Key Jurisdictions of Operation—United Kingdom—Senior Managers and Certification Regime*."

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

Our financial performance is affected by the cost of labor. As of September 30, 2024, we had approximately 2,100 full time employees. An increased demand for our employees from other fund managers could increase costs associated with employee compensation, which could have a material adverse effect on our business, results of operations and financial condition.

Any labor relations disputes or work stoppages and/or strikes could disrupt our operations and have a material adverse effect on our business, results of operations and financial condition.

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

A portion of our collections, or that of our Funds, is achieved through litigation. Accordingly, a portion of such future collections will be dependent on success in individual lawsuits or court actions in the jurisdictions that we operate. When we commence collection actions through legal proceedings, courts may require legal agreements, documentation, such as a copy of the account statements or applications to be attached to the pleadings in order to obtain a judgment against a particular customer. Where we are unable to produce such legal agreements or account documents when required to do so, the account may be legally unenforceable and/or the court may not find in our favor. Furthermore, if any of the legal agreements or account documents possessed by us were found to be inaccurate, non-authentic or legally unenforceable, courts may deny, or reduce the value of, our claims.

Any changes to laws, regulations or rules that affect the manner in which we initiate enforcement proceedings, including rules affecting documentation, or shorter statutes of limitation, could result in increased administration costs or limit the availability of litigation as a collection tool, which could have a material adverse effect on our business, results of operations and financial condition. For example, the Pre-Action Protocol for Debt Claims ("**Debt Claims Protocol**"), which came into effect in the United Kingdom on October 1, 2017, has presented practical issues for us and the debt collection and debt purchase industry more widely as it limits the circumstances in which proceedings may be commenced.

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

Anti-corruption, anti-money laundering and terrorist financing, anti-bribery, trade sanction laws and other regulatory requirements applicable to us create the potential for significant liabilities and penalties, the inability to complete transactions and reputational harm.

We and our Funds are subject to applicable laws and regulations relating to sanctions, AML, anti-bribery, facilitation of tax evasion and anti-terrorism, the violation of which could adversely affect our operation and that of our Funds. Furthermore, certain limited partners may request that our Funds comply with applicable laws and regulations of such limited partner's domiciles or residences as a condition of their investment in the Fund. U.S. laws and regulations, when applicable to our Funds, include the economic trade sanctions laws and regulations administered by the Treasury Department's Office of Foreign Assets Control as well as certain laws administered by the U.S. Department of State. Over recent years, the number of sanctions programs, their scope and complexity have increased substantially. Such sanctions programs may also be subject to frequent updates at irregular intervals. In addition, we and our Funds may be subject to the Foreign Corrupt Practices Act and other anti-bribery laws, such as the UK Bribery Act, the Irish Criminal Justice (Corruption Offences) Act, the Corruption (Jersey) Law 2006, the United Nations Convention Against Corruption and the OECD Anti-Bribery Convention and the UK Criminal Finances Act 2017.

Although we and our Funds have policies, controls and procedures in place that are reasonably designed to ensure compliance with the applicable aforementioned laws and regulations, there can be no assurance that our policies and procedures will prevent breaches of applicable laws and regulations or that our internal processes and investigations will identify such breaches in a timely manner or at all. It is possible that an employee or service provider could fail to comply with such laws and regulations, which could expose us and our Funds to civil penalties, criminal penalties and other sanctions, including fines or other punitive actions, or other adverse consequences. If we, our Funds, or any of our or their respective affiliates, employees or other agents are found to have engaged in such practices, we or our Funds could suffer severe penalties or other consequences that could have a material adverse effect on our business, results of operations and financial condition.

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

Tax returns are prepared in accordance with applicable tax legislation and prevailing case law, with certain tax positions taken by us based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. These positions may relate to such matters as tax compliance, sales and use tax, value-added tax, permanent establishment, transfer pricing, deductibility of expenses, classification of income, treaty relief, withholding tax, franchise, gross receipts, payroll, property and income tax issues. Furthermore, our evolution as an integrated fund management business has increased the activities and number of tax jurisdictions that we operate in. It is possible that the tax authorities will not agree with the views taken by us. We are subject to periodic tax audits by the tax authorities and any challenges made by tax authorities to our application of tax rules may result in adjustments to the timing or amount of taxable income or deductions. If any such challenges are made and are not resolved in our favor, they could have an adverse effect on our business, results of operations and financial condition.

Our effective tax rate may also be affected by changes in the UK or overseas tax laws or the interpretation of the UK or overseas tax laws, including those tax laws relating to the utilization of tax loss or credit carry forwards, and changes in our assessment of certain matters. Our effective tax rate in any given financial year reflects a variety of factors, including the mix of profit generated in each jurisdiction, that may not be present in the succeeding financial year or years. One factor affecting our effective tax rate is the relevant standard rate of corporation tax in the various jurisdictions that we operate in, which is subject to change. For instance, the rate of UK corporation tax for the year commencing April 1, 2023, increased to 25%. Any increase in our effective tax rate in future periods could have a material adverse effect on our business, results of operations and financial condition.

We are subject to ongoing risks of litigation, investigations and proceedings, including under consumer credit, collections, for our investment activities and other laws.

We may be adversely affected by judgments, settlements, unanticipated costs or other effects of legal and administrative proceedings now pending or that may be instituted in the future, or from investigations by authorities, regulatory bodies or administrative agencies. We may be named as defendants in litigation or administrative proceedings, including under consumer credit, tax, collections, labor, employment, competition and other laws or government audits and proceedings. Such claims, including bulk litigation, regardless of merit, could lead to costly litigation and divert management personnel from their regular responsibilities. Claims could also be brought in relation to other areas of alleged non-compliance with regulation or in relation to minor technical breaches of form and content requirements, which could affect a large portfolio of agreements. We and our Funds are subject to extensive regulatory requirements at a national, regional and local level, including in Luxembourg, Jersey and each of the seven geographical locations in Western Europe where we have businesses and operations. Many of the regulators that we and our Funds interact with are empowered to conduct investigations and administrative proceedings that can result in sanction charges, suspension of persons and other sanctions, including the suspension and cancellation of applicable approvals. Further, investigations and other administrative proceedings may be time-consuming for us and our Funds and may divert the attention of management and other key employees away from their ordinary tasks. Breaches may have occurred prior to our acquisitions of portfolios and extends across all the jurisdictions that we operate in, which could result in regulatory penalties and costs associated with providing redress to customers affected. For example, as of the date of this Exchange Offer Memorandum, the Dutch data privacy regulator has raised concerns with Focum regarding compliance and application of GDPR requirements. See also "—*The ability to obtain, process, share and retain customer and other data is critical to us and is heavily regulated by privacy, data protection and related laws in the jurisdictions in which we operate and improper disclosure of our clients' sensitive data, consumer data or a breach of data protection laws could negatively affect our reputation, business, results of operations and financial condition*." Further, our Funds' investment activities are subject to third-party litigation risks. The outcome of such proceedings may materially adversely affect the value of our Funds and may continue without resolution for long periods of time.

Furthermore, if such claims are adversely determined against us, we could be forced to suspend certain collection efforts or pay damages, be subject to enforcement orders or have our registration with a particular regulator revoked, and our reputation, our business, results of operations and financial condition could be materially adversely affected. In addition, claims management companies and consumer rights groups could increase their focus on the debt collection industry and, in particular, the collection of debts owed under regulated agreements. Such negative publicity or attention could result in increased litigation against us, including class action suits.

In recent years, there has been a substantial increase in consumers' propensity to bring claims related to debt collection to the courts in their attempts to claim refunds of sums paid under consumer credit agreements or to avoid making payments going forward. This litigation has been fueled by a substantial rise in claims management companies that aggressively advertise for potential claimants and then bring claims in the hope and expectation that they will be paid a portion of any debt written off. Claims could also be brought in relation to other areas of alleged noncompliance, which could affect a large portfolio of agreements. We may in the future be named as defendants in litigation, including under consumer credit, collections and other laws. We may also have disagreements or disputes with sellers from which we purchase debt, parties to which we outsource accounts, and business partners who collect claims on our behalf or other counterparties. For example, certain law firm parties with whom we contract for collection services have asserted claims against us relating to our agreed fee structure and, in connection with the winding down of similar relationships with other business partners, we may face additional claims. Such claims against us, complaints, disputes or disagreements, regardless of merit, could result in or subject us to costly litigation and divert our management personnel from their regular responsibilities. Furthermore, if such claims are adversely determined against us, we could be forced to suspend certain collection efforts or pay damages which could have a material adverse effect on our business, results of operations and financial condition.

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

We continually review our risk management policies and procedures and will continue to do so in the future. Although we believe that our risk management procedures are adequate, many of our methods of managing risk and exposures are based upon observed historical market behavior and statistic-based historical models. As a result, these methods may not accurately predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets or other matters that are publicly available or otherwise accessible to us. We rely on intermediaries, such as servicers and external valuers and other third-party outsource providers, particularly in areas such as IT, and we may be held liable for the acts of intermediaries if we cannot demonstrate that we have adequate procedures in place to prevent acts of non-compliance with regulations to which we are subject, such as with respect to bribery. Further, the procedures we have in place to monitor and prevent employee misconduct may be insufficient (for example, to detect or prevent employee fraud). Failure (or the perception that we have failed) to develop, implement, monitor and, when necessary, pre-emptively upgrade our risk management policies and procedures could give rise to reputational issues for us and may result in breaches of regulatory or contractual obligations by us, for which we may incur substantial losses. Failure or perceived failure to develop, implement, monitor and maintain sufficient oversight arrangements could have a material adverse effect on our business, results of operations and financial condition, as well as reputation.

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

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

Areas requiring more complex judgements may shift over time, based on changes in accounting policies or on changes in our business profile. More complex judgements are required in relation to revenue recognition, including performance fees, impairment gains/losses and fair value through profit or loss ("**FVTPL**") changes on our investments and judgements relating to cash flow forecasts, both for portfolio investments on our Balance Sheet and our co-investments in our Funds. For example, the estimates used in the effective interest rate ("**EIR**") and FVTPL methods of revenue recognition to calculate the projected Gross IRR on our loan portfolios are primarily based on forecast cash collections and/or valuations. If actual future cash collections are materially different in amount or timing than the ERC, our earnings could be affected, either positively or negatively. Higher collection amounts or cash collections that occur sooner than projected will have a favorable impact on revenue in the form of yield increases, impairment reversals and/or FVTPL gains. In addition, higher collection amounts or cash collections that occur sooner than projected will have the effect of reducing the expected future value of our loan portfolios, requiring us to purchase additional loan portfolios in order to maintain our level of expected future cash flows, which we might not be able to do. Lower collection amounts or cash collections that occur later than projected will have an unfavorable impact and may result in impairments and/or FVTPL losses on our loan portfolios. Impairments and FVTPL cause reduced and fluctuating earnings. In the future, the areas requiring more complex judgement will change as a result our evolution as an integrated investment management business, for example concerning the revenue recognition of performance fees.

Goodwill is a significant asset of our balance sheet. As of September 30, 2024, the book value of goodwill was £747.2 million. Any impairment of goodwill may result from, among other things, deterioration in our performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations and a variety of other factors. Any future impairment of goodwill may result in permanent material reductions of our income and equity under IFRS and will not be reversed in the future. Any such impairment could materially adversely affect our business, financial condition and results operations.

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

We are subject to fluctuations in foreign exchange rates.

We report our financial results in pounds sterling, but receive part of our income in euros as the result of our activities in the Netherlands, Italy, Portugal, Ireland, Spain and Germany, together with the income from fund management and performance fees. The revenues and costs for our businesses whose functional currency is euros, are translated into pounds sterling at the applicable exchange rate for inclusion in the financial statements, thus exposing us to currency translation risk. It is our policy to not hedge this translation exposure. Consequently, any change in the exchange rate between the euro and sterling will affect our financial statements.

We are also exposed to currency risk, due to our exposure to euro-denominated loan portfolios, some of which are held within United Kingdom entities, whose functional currency is pounds sterling. It is our policy to partially hedge this exposure and therefore, exchange rate fluctuations could materially adversely affect our financial condition and results of operations.

As we increase our investments to euro-denominated portfolios and, given our evolution as an integrated fund management business, our collection of euro fee income, the related currency translation risks are expected to increase and, to the extent we rely on our revenue in pounds sterling to service our euro-denominated indebtedness or vice versa, changes in the value of pounds sterling relative to the euro may increase the proportion of revenue we need to devote to our debt service obligations and adversely affect our financial results. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure of Market Risk—Foreign currency risk—Foreign currency sensitivity analysis*."

To the extent that we make investments in other jurisdictions, it would be subject to similar currency translation risk between the currency of such jurisdiction and pounds sterling.

We may not be able to enter into or maintain appropriate insurance agreements.

We enter into a variety of insurance arrangements, which include a number of terms and conditions, such as liability caps for different events or policy types. In the event that the situation arises which requires to be covered, there is a risk that the insurance policy would not cover the losses or impacts incurred by the Group. In addition, the properties or collateral underlying our portfolio investments, either through the Fund or directly, may be covered by comprehensive liability, fire, flood and extended insurance coverage. There are, however, types of losses (such as from hurricanes, floods, wildfires, extreme weather conditions, wars, terrorist attacks or earthquakes or other natural or man-made disasters or casualty events) which may be uninsurable, or the cost of insuring against these losses may not be economically justifiable. If an uninsured loss occurs or a loss exceeds policy limits, our Funds and the Group could lose both its invested capital and anticipated revenues from the affected properties, thereby reducing the cash flow. Such events could also have unforeseeable consequences and could have a material adverse effect on the portfolio investments.

In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance for a property.

Further, our Funds and the Group may not maintain adequate insurance coverage against liability for personal injury and property damage in the event of accidents or other casualty events in connection with such properties.

If any of our insurance providers fail, abruptly cancel our coverage or otherwise cannot satisfy our insurance requirements, then our overall risk exposure and operational expenses could increase and operations could be interrupted. There can be no assurance that we will be able to find an alternative insurance provider that will meet, or meet at commercially acceptable terms, our insurance requirements. If any of the foregoing were to materialize, this could have a material adverse effect on our business, results of operations and financial condition.

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

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

As our Funds are alternative investment funds (within the meaning of the AIFMD), they are a financial counterparty for the purposes of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories as implemented in any relevant EEA jurisdiction and the United Kingdom ("**EMIR**"). EMIR regulates derivatives and impacts all entities in the EU derivatives market (including financial counterparties such as alternative investment funds), whether they use derivatives for trading purposes, to hedge themselves against a particular risk or as part of their investment strategy. This means that should our Funds enter into over-the-counter ("**OTC**") derivatives (as defined in EMIR), our Funds could become subject to certain obligations under EMIR, including clearing, reporting, collateral and risk mitigation. Compliance with applicable obligations under EMIR could result in additional costs (including in relation to posting collateral) for the Company, which could materially adversely affect our business, results of operations and financial condition.

Broad investment guidelines provide our Fund Manager entity with a wide range of potential investments and its selection could increase or significantly vary our Funds' investment risk exposure.

Our Fund Manager entity has broad investment authority and the strategies that the Fund Manager may pursue for us may change and evolve materially over time and are not limited to the strategies initially described while raising Fund investments from limited partners. Although the AIFM will maintain internal risk guidelines, such risk guidelines may be subject to change over time and we may pursue investment strategies not described therein or may make investment decisions that fall outside such internal risk guidelines. Our Fund Manager entity will opportunistically implement whatever strategies, techniques and discretionary approaches, as well as such other investment tactics, as it believes from time to time may be suited to prevailing market conditions. Our Fund Manager entity may utilize such position, size, duration and other portfolio management techniques as it believes are appropriate for us to the extent consistent with our investment objective. New investment strategies, techniques, discretionary approaches and investment tactics may not be thoroughly tested before being employed and may have operational or other shortcomings that could result in unsuccessful investments and, ultimately, losses to our Funds. In addition, any new investment strategy, technique and tactic developed by our Fund Manager entity may be more speculative than earlier investment strategies, techniques and tactics and may involve material and as-yet-unanticipated risks that could increase our risk of loss for our Funds, and thereby materially and adversely impact our business, results of operations and financial condition.

This Exchange Offer Memorandum includes forward-looking statements, certain projections, targets and assumptions in forecasts that involve risks and uncertainties.

This Exchange Offer Memorandum contains forward-looking statements, projections, targets and assumptions in forecasts that involve risks and uncertainties, including statements regarding our plans, strategies, objectives, expectations, performance and leverage targets, estimates, projections and forecasts, budgets, goals, resources, future projects, business expansion plans, changes in laws related to business operations, certain estimated cost savings, government policies in different countries and other factors which anticipate future events. Actual results may differ materially from the expectations and targets provided (whether express or implied) in any forward-looking statement, although the Group deems that such information is based on reasonable assumptions.

We reference projections, targets and estimates in this Exchange Offer Memorandum based on our business plan, calculations and/or public information previously disclosed to the market. Such references to projections, targets and estimates include, but are not limited to projections, targets and estimates regarding, collections, performance fees or carried interest accruing to the general partner, Leverage, FUM, net asset value and returns on invested capital. The projections, targets and estimates may not be met due to several factors and circumstances, some of which may be beyond our control. Due to various risks and uncertainties, actual events or results or the actual performance, operations, financial condition, liquidity of the Group and the development of the industry in which the Group operates may differ materially from those reflected or contemplated in such forward-looking statements or projections. The estimates and targets contained herein are indicative only and should not be construed as forecasts or an assurance that such targets will be met during the timeframe mentioned herein or at all.

The opinions of the Group are current and do not constitute an assurance of future performance or events of any kind. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Exchange Offer Memorandum may not be accurate or occur at all. The Group is under no obligation to review, update, supplement or provide any further information in respect of any estimate and/or forward-looking statement because of new information, future events or other factors. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made. See "*Forward-Looking Statements*" for further information.

The Combined 2021 Financial Information is presented for illustrative purposes only and may not reflect our actual results of operations and financial condition had we been a combined group for the periods presented, and does not purport to indicate the financial condition and results of operations of the Group for any future period.

The Combined 2021 Financial Information included in this Exchange Offer Memorandum has been calculated by combining (i) audited consolidated historical financial information of AGGL and its subsidiaries for the period from January 1, 2021 to October 10, 2021, derived from the AGGL 2021 Financial Statements, which covers the operating results of the Group for the year ended December 31, 2021 prior to the completion of our Acquisition by TDR Capital on October 11, 2021 and (ii) audited consolidated historical financial information of the Parent and its subsidiaries for the period from October 11, 2021 to December 31, 2021, derived from the Parent 2021 Financial Statements, which covers the operating results of the Group for the year ended December 31, 2021 following our Acquisition by TDR Capital on October 11, 2021. The Combined 2021 Financial Information presented in this Exchange Offer Memorandum is based in part on certain assumptions, including regarding the combination, the Acquisition and the financing of the Acquisition, that we believe are reasonable. Our assumptions may prove to be inaccurate over time. In addition, the Combined 2021 Financial Information does not give effect to any purchase price allocation requirements under IFRS and more generally has not been compiled on a basis that complies with IFRS. Therefore, holders of Existing Floating Rate Notes should not place undue reliance on the Combined 2021 Financial Information when deciding whether to tender their Existing Floating Rate Notes for exchange in the Exchange Offer. The Combined 2021 Financial Information included in this Exchange Offer Memorandum may not reflect the results of operations and financial condition of the Group had we been a combined group during the period presented and does not purport to indicate the financial condition and results of operations of the Group for any future period. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Impacting Comparability—Combined 2021 Financial Information*."

Risks relating to our financial profile, the Exchange Notes and the Note Guarantees

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

We are, and following the issuance of the Exchange Notes we will be, highly leveraged. As of September 30, 2024, after giving effect to the Transactions and the use of proceeds therefrom, we would have had third-party debt totaling £1,386.1 million, excluding £22.6 million of lease liabilities. See "*Capitalization*."

The degree to which we will remain leveraged following the Transactions could have important consequences to holders of the Exchange Notes offered hereby, including, but not limited to:

- making it difficult for us to satisfy our obligations to lenders under our debt obligations and with respect to the Exchange Notes, resulting in possible defaults on and acceleration of such indebtedness;

- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;

- requiring the dedication of a substantial portion of our cash flow from operations to the payment of interest on indebtedness, thereby reducing the availability of such cash flow to fund the payment of principal of indebtedness, working capital, capital expenditures, purchases of new debt portfolios, acquisitions, joint ventures, internal growth strategies or other general corporate purposes;

- requiring us to sell assets to reduce our level of indebtedness or influencing our decision about whether to do so;

- limiting our flexibility in planning for or reacting to changes in our business and the competitive environment and the industry in which we operate;

- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and

- limiting our ability to borrow additional funds, increasing the cost of any such borrowing or otherwise negatively impacting credit terms with our creditors.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Exchange Notes.

In addition, our New Revolving Credit Facility is subject to a springing maturity, pursuant to which, subject to certain conditions linked to the aggregate principal amount of the Outstanding Existing Notes, the maturity of our New Revolving Credit Facility may spring forward to during the period which is 3-months prior to the earliest maturity of the Outstanding Existing Notes. See "*Description of Other Indebtedness—New Revolving Credit Facility Agreement—Maturity and Availability Period*." If such an event were to occur, there is no assurance that we will be able to successfully refinancing our New Revolving Credit Facility in a timely manner or at all.

Despite our high level of indebtedness, we may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We may be able to incur substantial additional indebtedness in the future, including secured indebtedness and structurally senior indebtedness. Although the Existing Indenture contains, and the New Indenture and the New Revolving Credit Facility Agreement will contain, restrictions on the incurrence of additional indebtedness, these restrictions will be subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, the Existing Indenture does not, and the New Indenture and the New Revolving Credit Facility Agreement will not, prevent us from incurring obligations that would not constitute indebtedness under those agreements.

A number of our present and future subsidiaries, including our Jersey fund management group, will constitute, and we expect an increasing share of our business will be generated in, Unrestricted Subsidiaries under the Existing Indenture or the New Indenture, as applicable, and will, therefore, not be subject to the restrictive covenants.

The subsidiaries that comprise our Jersey fund management group, consisting of (i) AGG Capital Management (Holdco) Limited ("**ACMH**"), (ii) AGG Capital Management Limited ("**ACML**" or the "**Fund Manager**"), which is ACMH's direct subsidiary and our main fund management entity, and (iii) the Fund Manager's subsidiaries, which include, among others, general partners of the various funds managed by ACML, are Unrestricted Subsidiaries under the Existing Indenture and will be Unrestricted Subsidiaries under the terms of the New Indenture. During the year ended December 31, 2023, and the nine months ended September 30, 2024, the Group's EBITDA generated by ACMH, ACML and ACML's subsidiaries was £7.5 million and £18.1 million, which for the nine months ended September 30, 2024, represented 24.6% of our total consolidated EBITDA. However, there are a number of arrangements in place pursuant to which the fees and economics generated by the Fund Manager currently flow directly or indirectly to the Restricted Group, with the Fund Manager only retaining sufficient revenue to cover its costs. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model—Our Structure*."

As part of our evolution as an integrated fund manager business, we will seek to raise additional funds and to generate an increasing share of our business from capital-light revenues through our existing fund management entities and their subsidiaries, including the general partners of our existing funds and any additional funds we may raise in the future, and any additional fund management entities and their subsidiaries we may form in the future. As we generate an increasing share of our business through such fund management entities and their subsidiaries, including the general partners of our existing funds and any additional funds we may raise in the future, we expect an increasing share of our business will be generated in entities that will be Unrestricted Subsidiaries under the terms of the Existing Indenture and the New Indenture and will, therefore, not be subject to the restrictive covenants. Furthermore, we may designate additional Restricted Subsidiaries as Unrestricted Subsidiaries in accordance with the terms of the Existing Indenture and the New Indenture, as applicable.

This means that, for so long as, and to the extent that, such subsidiaries remain Unrestricted Subsidiaries, the restrictive covenants in the Existing Indenture and the New Indenture will not apply to such subsidiaries, subject to certain exceptions. Accordingly, Unrestricted Subsidiaries, among other things, may incur, and an increasing share of our business in such Unrestricted Subsidiaries may be subject to, unlimited debt and may sell or encumber their assets without any restriction of the use of proceeds therefrom. In addition, the creditors of Unrestricted Subsidiaries will generally be entitled to payment in full of their claims from the assets of such Unrestricted Subsidiaries before the Issuer or the Guarantors, or their creditors, will be entitled to receive any distributions from such Unrestricted Subsidiaries. See also "*Description of the New Notes—Restricted Subsidiaries and Unrestricted Subsidiaries.*"

The debt under our Existing Floating Rate Notes bears, and the debt under the New Money Floating Rate Notes, the Exchange Notes and the New Revolving Credit Facility Agreement will bear interest at a floating rate that could rise significantly, increasing our interest cost and debt and reducing our cash flow.

The debt under our Existing Floating Rate Notes bears, and the debt under the New Money Floating Rate Notes and the Exchange Notes will bear interest at floating rates of interest per annum equal to EURIBOR, adjusted quarterly, plus an applicable margin. The debt under our New Revolving Credit Facility Agreement will bear interest at floating rates of interest per annum equal to compounding overnight the Sterling Overnight Index Average published by the Bank of England ("**SONIA**") for loans denominated in pounds sterling, EURIBOR for loans denominated in euro or the Secured Overnight Financing Rate ("**SOFR**") for loans denominated in U.S. dollars, in each case plus an applicable margin. These rates could rise significantly in the future, exposing us to the risks of fluctuations in interest rates. Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements and that we may be required to satisfy margin calls. To the extent interest rates were to rise significantly, our interest expense associated with the debt under our Existing Floating Rate Notes, New Money Floating Rate Notes, Exchange Notes and New Revolving Credit Facility Agreement, to the extent not fixed by means of hedging arrangements, would correspondingly increase, thus reducing cash flow.

It is not known if or when regulatory reform may, in the future, cause EURIBOR to cease or be replaced. The U.S. dollar floating rate market has transitioned to use, in place of U.S. dollar London Interbank Offered Rate ("**LIBOR**"), a floating rate equal to compounding overnight SOFR (the Secured Overnight Financing Rate published by the Federal Reserve in the U.S.), although other alternative rates may also be used. As of October 1, 2024, U.S. dollar LIBOR setting has ceased as a panel bank rate. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any of our debt linked to such a benchmark, including the debt under our Existing Floating Rate Notes, New Money Floating Rate Notes, Exchange Notes and New Revolving Credit Facility Agreement.

Regulatory requirements under the EU Benchmark Regulation (particularly in relation to EURIBOR) and under the UK Benchmark Regulation may: (i) discourage market participants from continuing to administer or contribute to a regulated benchmark (such as EURIBOR); (ii) trigger changes in the rules or methodologies used for the benchmark or (iii) lead to the disappearance of the benchmark. Any proposal to cease the determination or publication of any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which the relevant benchmark is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark. Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives may result in a sudden or prolonged increase in any affected benchmark, which could have a material adverse effect on the value of and return on any floating rate debt linked to that benchmark and on our ability to service debt that bears interest at floating rates of interest, including the debt under our Existing Floating Rate Notes, New Money Floating Rate Notes, Exchange Notes and New Revolving Credit Facility Agreement, reducing cash flows otherwise available for our operations, capital expenditures, acquisitions and servicing our debt obligations.

The New Indenture will provide that, in the event that EURIBOR is no longer being calculated or administered, is no longer generally representative of the underlying market which EURIBOR seeks to represent on the Settlement Date or is otherwise no longer generally accepted in the euro zone for the purposes of determining floating rates of interest in respect of euro-denominated securities, the rate of interest on the Exchange Notes will thereafter be determined on an alternative basis by reference to any successor rate (including any generally accepted adjustment spread) generally accepted in the euro zone for the purposes of determining floating rates of interest in respect of euro-denominated securities which originally referenced EURIBOR, as identified by the Issuer in good faith. However, in the event that there is no generally accepted successor rate to EURIBOR in the good faith judgement of the Issuer, the Issuer, in consultation with an independent financial advisor, shall determine a reasonably appropriate alternative basis for determining the rate of interest (and any applicable adjustment spread to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to holders of the Exchange Notes as a result of the replacement of EURIBOR) on the Exchange Notes (and any such alternative basis adopted will in all cases never be less than 0.0%). This means that interest on the Exchange Notes would be determined by the Issuer on the basis of a benchmark rate, together with adjustments, that was not contemplated at the time you exchanged Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for Exchange Notes in the Exchange Offer. The New Indenture may require the exercise of discretion by the Issuer and the making of potentially subjective judgments (including as to the occurrence or not of any events which may trigger amendments to the New Indenture) without the consent of the holders of the Exchange Notes. The interests of the Issuer in making such determinations or amendments may be adverse to the interests of the holders of the Exchange Notes. See "*Description of the New Notes*."

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

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

Our ability to draw under the New Revolving Credit Facility Agreement will depend, among other things, on our ability to meet the financial covenant set out therein, and other required conditions to drawing could be affected by a number of factors, including events beyond our control. See "*—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities*." Any inability to borrow funds at a time of low levels of cash flow could constrain our ability to purchase portfolios and/or maintain our operations, which could materially adversely affect our business.

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

The Existing Indenture restricts, and the New Indenture and the New Revolving Credit Facility Agreement will restrict, among other things, our ability to:

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

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

The covenants to which we will be subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. All of these limitations will be subject to significant exceptions and qualifications.

For the restrictions that will be included in the New Indenture, see "*Description of the New Notes—Certain Covenants*." In addition, we will be subject to the affirmative covenants contained in the New Revolving Credit Facility Agreement. In particular, the New Revolving Credit Facility Agreement will require us to comply with a financial covenant. Our ability to meet this financial covenant can be affected by events beyond our control, and we cannot assure you that we will meet it. A breach of any of the covenants, ratios, tests or restrictions contained in the Existing Indenture or the New Revolving Credit Facility Agreement could result in an event of default under the Existing Indenture or the New Revolving Credit Facility Agreement, as applicable. Upon the occurrence of any event of default under the Existing Indenture or the New Revolving Credit Facility Agreement, subject to applicable cure periods and other limitations, on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities (in the case of the New Revolving Credit Facility) and elect to declare all amounts outstanding under the Existing Indenture or the New Revolving Credit Facility Agreement, as applicable, together with accrued interest, immediately due and payable. In addition, any default under the New Revolving Credit Facility Agreement or the Existing Indenture could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the New Indenture. If our creditors, including the creditors under the New Revolving Credit Facility Agreement or the Existing Indenture, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Exchange Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

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

Our ability to make payments on and to refinance our debt, including any Outstanding Existing Notes, the New Money Notes and the Exchange Notes, and to fund the payment of principal of indebtedness, working capital requirements, capital expenditures, purchases of new debt portfolios, acquisitions, joint ventures, internal growth strategies or other expenditures for general corporate purposes, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on the success of our business strategy, the continued predictability of our ERC and on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed in these "*Risk Factors*," many of which are beyond our control. Our ability to make payments on our debt also depends on our cash flow cycle. If our interest payment dates coincide with periods of significant cash outflow, we may have insufficient cash to pay our obligations as they come due.

We cannot assure you that our business will generate sufficient cash flows from operations, that revenue growth, currently anticipated cost savings and operating improvements will be realized or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts, including the Outstanding Existing Notes, the New Money Notes and the Exchange Notes, when due, or to fund our other liquidity needs. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*."

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

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

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on any Outstanding Existing Notes, New Money Notes or Exchange Notes, on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt under the Existing Indenture, the New Indenture and the New Revolving Credit Facility Agreement will limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and could require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale would be acceptable.

Creditors under the New Revolving Credit Facility Agreement, any Hedging Agreements (as defined in the Intercreditor Agreement) and certain operating facilities (if any) will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Exchange Notes.

The obligations under the New Indenture will be secured (as applicable under relevant laws and pursuant to the provision of certain security confirmations and supplemental security, as applicable) on a first-ranking basis with security interests over Collateral which will also secure our obligations under the Existing Indenture and the New Revolving Credit Facility Agreement. The New Indenture will also permit the Collateral to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement, the liabilities under the New Revolving Credit Facility Agreement, any Hedging Agreement (as defined in the Intercreditor Agreement) and certain operating facilities (if any) that are secured by assets that also secure obligations under the Exchange Notes and the Note Guarantees will receive priority with respect to any proceeds received upon any enforcement action over any such assets. See "*Description of Other Indebtedness—Intercreditor Agreement*."

As a result, in the event of any realization or enforcement of the Collateral, you may not be able to recover on the Collateral if the then-outstanding claims under the New Revolving Credit Facility Agreement, any Hedging Agreements and certain operating facilities (if any) are greater than the proceeds realized.

The Exchange Notes will be secured only to the extent of the value of the Collateral that will have been granted as security for the Exchange Notes and the Note Guarantees, and such security may not be sufficient to satisfy the obligations under the Exchange Notes and the Note Guarantees.

The Exchange Notes will be secured by the Collateral. There is no guarantee that the value of the Collateral will be sufficient to enable the Issuer to satisfy its obligations under the Exchange Notes. In addition, there is no requirement to provide funds to enhance the value of the Collateral if it is insufficient. The proceeds of any sale of the Collateral following an event of default with respect to the Exchange Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Exchange Notes.

The value of the Collateral and the amount of proceeds realized upon the enforcement of the security interests over the Collateral or in the event of liquidation will depend upon many factors, including, among other things, general market and economic conditions, the condition of the market for the Collateral, the ability to sell Collateral in an orderly sale, the fair market value of the Collateral, the timing and manner of the sale, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the Collateral, the availability of buyers and the condition of the Collateral and exchange rates, as applicable. Further, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of our assets in the event of an enforcement action. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. Portions of the

Collateral may be illiquid and may have no readily ascertainable market value. In addition, the Collateral will not include all of our assets. Further, the Collateral also secures our obligations under the Existing Indenture and will secure our obligations under the New Money Notes and may also secure additional debt, to the extent permitted by the terms of the Existing Indenture, the New Indenture and the Intercreditor Agreement, which may dilute the rights of the holders of the Exchange Notes to the Collateral.

We believe our purchased loan portfolios represent the significant majority of the value of the Collateral. These assets, in particular, may be subject to significant changes in value due to, among other factors, economic or regulatory trends. In addition, it may be challenging for you to realize the value of our purchased loan portfolios as these are financial assets, not physical assets, and represent liabilities of non-performing consumers. Consumer debt receivables typically decline in value over time. To realize the value of the Collateral, you may need to rely on third-party collection resources. If you have to rely on third parties, you may be required to make significant upfront payments to cover collection expenses. In addition, the institutions from which we purchase receivables may be unwilling to provide you with the account level documentation you may need to successfully collect on accounts, which may significantly reduce the realizable value of the Collateral for you. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of this Collateral will be sufficient to pay our obligations under the Exchange Notes.

By its nature, some or all of the Collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its disposal. To the extent that liens, security interests and other rights granted to other parties encumber assets owned by the Issuer or the Guarantors, those parties have or may exercise rights and remedies with respect to the property subject to their liens, security interests or other rights that could adversely affect the value of that Collateral and the ability of the Security Agent, the New Notes Trustee or holders of the Exchange Notes to realize or enforce that Collateral. Each of these factors or any challenge to the validity of the Collateral or the intercreditor arrangement governing our creditors' rights could reduce the proceeds realized upon enforcement of the Collateral. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Exchange Notes and the Note Guarantees, investors (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim against the Issuer's and the Guarantors' remaining assets. Each of these factors or any challenge to the validity of the Collateral or the intercreditor arrangements governing our creditors' rights could reduce the proceeds realized upon enforcement of the Collateral. In addition, there can be no assurance that the Collateral could be sold in a timely manner, if at all. Proceeds from enforcement sales of capital stock and assets that are part of the Collateral must first be applied in discharging sums owing to certain creditor representatives and the Security Agent as well as enforcement costs, then satisfaction of obligations under the New Revolving Credit Facility Agreement, any Hedging Agreements (as defined in the Intercreditor Agreement) and certain operating facilities (if any) and thereafter to repay on a *pari passu* basis the obligations of the Issuer and the Guarantors under the Existing Indenture, the Outstanding Existing Notes, the New Indenture, the New Money Notes, the Exchange Notes, and any other indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Existing Indenture, the New Indenture and the Intercreditor Agreement. In addition, the Existing Indenture allows and the New Indenture will allow incurrence of certain additional permitted debt in the future that is secured by the Collateral on a priority or *pari passu* basis. The incurrence of any additional debt secured by the Collateral would reduce amounts available to you from the proceeds of any sale of the Collateral.

To the extent that other first priority security interests, pre-existing liens, liens permitted under the New Revolving Credit Facility Agreement, the Existing Indenture and the New Indenture and other rights encumber the Collateral securing the Exchange Notes, the parties may have or may exercise rights and remedies with respect to the Collateral that could adversely affect the value of the Collateral and the ability of the Security Agent to realize, sell or foreclose (in each case in accordance with the Security Documents and the Intercreditor Agreement) on the Collateral.

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

The Security Documents will allow the Issuer, Midco and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Exchange Notes. Subject to the Security Documents, so long as no default or event of default under the Existing Indenture, the New Indenture or a continuing acceleration event under the New Revolving Credit Facility Agreement would result therefrom, the Issuer, Midco and the Guarantors may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness to the extent permitted by the terms of the Existing Indenture, the New Indenture and the New Revolving Credit Facility Agreement.

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

The Collateral securing the Exchange Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Existing Indenture, the New Indenture or the Intercreditor Agreement and accepted by other creditors that have the benefit of first priority security interests in the Collateral securing the Exchange Notes from time to time, whether on or after the date the Exchange Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Exchange Notes, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first priority ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions.

The Collateral includes shares of the Guarantors, certain of which are UK Regulated Firms or form part of the Vesting Group. The Guarantors that are UK Regulated Firms or form part of the Vesting Group are subject to the change of control regime under Part XII of FSMA or certain screening obligations under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), as applicable, and, accordingly, any enforcement in respect of the shares of such regulated firms (including obtaining or exercising the voting rights attached to such shares) may be subject to change of control approvals or screening approvals, which may delay or otherwise impair the ability of the Security Agent to realize or foreclose on such shares. Moreover, the security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over the Collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce, or to preserve and maximize value in connection with the enforcement of, a security interest, including, in some cases, certain regulatory consents. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, our business is subject to regulations and requires a variety of national and local permits and licenses. Our business may be adversely affected if we are unable to comply with applicable regulations or requirements. Particularly, the continued operation of properties that comprise part of the Collateral and that depend on the maintenance of such permits and licenses may be prohibited or restricted following a change in ownership in an enforcement scenario. In the event of foreclosure, the grant of permits and licenses may be revoked, the transfer of such permits and licenses may be prohibited or may require us or the acquired in an enforcement scenario to incur significant cost and expense. Further, we cannot assure investors that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained, are delayed or are practically or commercially prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the Collateral may be significantly decreased.

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

The obligations under the Exchange Notes and the Note Guarantees are secured (as applicable under relevant laws and pursuant to the provision of certain security confirmations and supplemental security, as applicable) on a first ranking basis with security interests over the Collateral that also secure our obligations under the Existing Indenture, the New Indenture, the New Revolving Credit Facility, certain hedging obligations and certain operating facilities. The Existing Indenture permits and the New Indenture will permit the Collateral to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. Moreover, the Intercreditor Agreement provides that the Security Agent will only enforce the Collateral as provided for in the Intercreditor Agreement, and the New Indenture will regulate the ability of the New Notes Trustee or the holders of the New Money Notes and the Exchange Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an instructing group that consists of the holders of the aggregate principal amount of the then-outstanding Exchange Notes and creditors (such holders and creditors together the "**Senior Secured Creditors**") in respect of indebtedness ranking *pari passu* with the Exchange Notes, including the Outstanding Existing Notes and the New Money Notes (the "**Senior Credit Participations**") which aggregate more than 66.67% of the total Senior Credit Participations at that time (the "**Majority Senior Secured Creditors**") (in each case acting through their respective creditor representatives) and an instructing group that consists of the lenders under the New Revolving Credit Facility and creditors (such lenders and creditors together the "**Super Senior Secured Creditors**") in respect of certain hedging obligations (the "**Super Senior Credit Participations**") which aggregate more than 66.67% of the total Super Senior Credit Participations at that time (the "**Majority Super Senior Creditors**") (in each case acting through their respective creditor representatives). Save as provided below, in the event the Security Agent receives conflicting instructions in respect of enforcement of the transaction security from the Majority Senior Secured Creditors and the Majority Super Senior Creditors, then the Security Agent shall act in accordance with the instructions of the Majority Senior Secured Creditors (provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents). If the Super Senior Secured Creditors have not been fully repaid within six months of the consultation period specified in the Intercreditor Agreement, the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other enforcement action within three months of the end of the consultation period specified in the Intercreditor Agreement, or certain insolvency events have occurred and the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other enforcement action at that time, then the Security Agent shall follow the instructions given by the Majority Super Senior Creditors (provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents).

An instructing group is entitled to give instructions to take enforcement action prior to the end of the applicable consultation period without consulting with any creditor representative or hedge counterparty (provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents) if Collateral has become enforceable as a result of an insolvency event that has occurred with respect to any relevant Group company, or the instructing group or any creditor representative of the creditors represented in the instructing group determines in good faith (and notifies the other creditor representatives, the hedge counterparties and the Security Agent) that to enter into such consultation and thereby delay the commencement of enforcement of the Collateral would reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce Collateral, or on the realization proceeds of any enforcement of Collateral, and in such circumstances any instructions are required to be limited to those necessary to protect or preserve the interests of the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable) on behalf of which the relevant instructing group is acting and the Security Agent is required to act in accordance with the instructions first received. The Security Agent may also refrain from acting in accordance with any instructions that may in its discretion require for any cost, loss or liability which it may incur in complying with those instructions until it has been indemnified and/or secured to its satisfaction.

To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Exchange Notes, the voting interest of holders of Exchange Notes in an instructing group will be diluted commensurate with the amount of indebtedness we incur.

The lenders under the New Revolving Credit Facility, the holders of the Outstanding Existing Notes and the holders of the New Money Notes may have interests that are different from the interests of holders of the Exchange 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 Exchange Notes to do so. In addition, if the Security Agent sells Collateral consisting of the shares of the Issuer or any other Debtor (as defined in the Intercreditor Agreement) or any holding company of any Debtor (as defined in the Intercreditor Agreement) as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Note Guarantees and the liens over any other assets of such entities securing the Exchange Notes and the Note Guarantees may be released. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the New Notes*." Delays in enforcement could decrease or eliminate recovery values.

In addition, the holders of the Exchange Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents, except through the Security Agent as provided in the Intercreditor Agreement. By accepting the Exchange Notes, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Exchange Notes will have limited remedies and recourse against the Issuer and the Guarantors in the event of a default. See "*Description of Other Indebtedness—Intercreditor Agreement*."

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Exchange Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.

The security interests in the Collateral that will secure the obligations of the Issuer under the Exchange Notes and the obligations of the Guarantors under the Note Guarantees will not be granted directly to the holders of the Exchange Notes but will be granted only in favor of the Security Agent. The New Indenture will provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Exchange Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Exchange Notes, except through the New Notes Trustee, who (subject to the provisions of the New Indenture and the Intercreditor Agreement) will provide instructions to the Security Agent in respect of the Collateral.

In addition, the ability of the Security Agent to enforce the security interests in the Collateral may be subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for an appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Exchange Notes that are not identified as registered holders in a security document will be validly secured.

In certain jurisdictions, due to the laws and other case law governing the creation and perfection of security interests and enforceability of such security interests, the applicable Collateral may secure a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security Agent as well as, or in lieu of, securing the obligations under the Exchange Notes directly. This parallel debt structure is used where certain jurisdictions have legal requirements relating to the creation and ongoing valid existence of security interests which are linked with the original secured claims and where certain actions under the finance documents, such as novation, may adversely impact the validity of the security interests under local law. The parallel debt is in the same amount and payable at the same time as the obligations of the Issuer and the Guarantors under the Exchange Notes and the Note Guarantees (the "**Principal Obligations**"), and any payment in respect of the Principal Obligations will discharge the corresponding parallel debt and any payment in respect of the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the Guarantors for the full principal amount of the Exchange Notes, the parallel debt structure has not (explicitly) been tested in the courts of these jurisdictions and there is no judicial guidance as to its efficacy or validity. Therefore, the ability of the Security Agent to enforce the Collateral may be restricted, or the parallel debt structure might not be capable of creating a valid security interest on the part of the Security Agent.

In addition, holders of the Exchange Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent which could in particular, under certain circumstances, result in a delay in enforcement, diminishing value or even loss of the Collateral or Note Guarantees.

The interests of holders of the Exchange Notes may be inconsistent with the interests of holders of any other notes issued under the New Indenture from time to time. Subject to certain restrictions, further series of New Notes. may be issued under the New Indenture which have different terms in respect of currency, interest rate and certain other matters. Under the New Indenture, the Exchange Notes, the New Money Notes and any such additional New Notes will be able to vote as a single class with respect to amendments, waivers or other modifications of the New Indenture other than with respect to amendments, waivers or other modifications that will only affect the Exchange Notes or the relevant series of New Money Notes or additional New Notes, if any. The holders of New Money Notes and any such additional New Notes may have interests that differ from the holders of other series of notes issued under the New Indenture, including the Exchange Notes.

Additional New Notes may not be fungible with the Exchange Notes for U.S. federal income tax purposes.

In the event that any additional New Notes issued after the date hereof and sold pursuant to Rule 144A are not fungible with any Exchange Notes previously issued under the New Indenture for U.S. federal income tax purposes, such non-fungible additional New Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued Exchange Notes under the New Indenture. Additional New Notes sold pursuant to Regulation S from time to time may be issued with the same ISIN, Common Code, CUSIP or other securities identification number as the Exchange Notes previously issued under the New Indenture without being fungible with such series of notes for U.S. federal income tax purposes.

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

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

Dutch withholding tax may be due on (deemed) payments of interest under the Exchange Notes.

Dutch withholding tax (at a rate equal to the highest Dutch corporate income tax rate) may be due on (deemed) payments of interest (including guarantee payments) under the Exchange Notes due by (*verschuldigd door*) any guarantor or future guarantor incorporated or organized under the laws of the Netherlands (the "**Dutch Guarantors**") (the "**(Deemed) Payments**") pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*) in the following situations:

- in case the relevant Dutch Guarantor is related (*gelieerd*) (within the meaning set out below) to the entity entitled to such (Deemed) Payments (*voordeelgerechtigde*) and such related recipient entity (i) is (deemed) resident in a low tax jurisdiction (*laagbelastende jurisdictie*) or (ii) has a permanent establishment in such low tax jurisdiction to which the interest (or guarantee payment) is allocated (*worden toegerekend*);

- in case the related recipient entity is not (deemed) resident in a low tax jurisdiction, the aforementioned withholding tax nevertheless applies in case (a) such entity is entitled to the (Deemed) Payments with the main purpose or one of the main purposes of avoiding withholding tax in the hands of another person or entity and (b) there is an artificial arrangement or transaction, or a series of artificial arrangements or transactions. An arrangement or transaction, or series of arrangements or transactions, shall be regarded as artificial to the extent that it is not put into place for valid commercial reasons, which reflect economic reality; and/or

- in case a related entity is from a Dutch tax perspective regarded the recipient of the (Deemed) Payments, whereas such related recipient entity is not regarded as the recipient (*gerechtigde*) thereof pursuant to the laws of the country in which such entity is (deemed) resident or pursuant to the laws of which such entity is established (*opgericht*).

No additional amounts shall be payable with respect to any Exchange Note in relation to the withholding or deduction for or on account of any tax imposed or to be withheld in the Netherlands pursuant to the Dutch Withholding Tax Act 2021. See "*Description of the New Notes—Additional Amounts.*"

Related entities

Entities (*lichamen*) are related for purposes of the application of the Dutch Withholding Tax Act 2021 if (i) the recipient entity (alone or together with other entities forming a cooperating group) has a qualifying interest in the relevant Dutch Guarantor or if (ii) the relevant Dutch Guarantor (alone or together with other entities forming a cooperating group) has a qualifying interest in the recipient entity or if (iii) a third party (alone or together with other entities forming a cooperating group) has a qualifying interest in both the recipient entity as well as the relevant Dutch Guarantor. An interest in an entity is considered a 'qualifying interest' if directly or indirectly the influence in the decision making is such that the decisions of an entity and thus its activities can be determined. In any case, an interest is qualifying if it represents more than 50% of the statutory voting rights in an entity.

Low tax jurisdictions

A jurisdiction qualifies as a low tax jurisdiction for purposes of the Dutch Withholding Tax Act 2021 if it is listed in an annually updated ministerial decree published by the Dutch government which includes jurisdictions (i) with a profit tax applying a statutory rate of less than 9% (updated annually based on an assessment as of October 1 of the preceding year) or (ii) included on the EU list of non-cooperative jurisdictions in the preceding year.

Upon an IPO Pushdown, certain material Collateral and Note Guarantees may be released, any retaken Collateral may be subject to hardening periods.

Under certain circumstances, we may undertake an IPO Pushdown (as defined in "*Description of the New Notes*"). See "*Description of the New Notes—IPO Pushdown*." The New Indenture will provide that upon consummation of an IPO Pushdown, among other things, references to the Parent and the Restricted Subsidiaries (and all related provisions) in the New Indenture shall apply only to the IPO Pushdown Entity (as defined in

"*Description of the New Notes*") and its Restricted Subsidiaries (as defined in "*Description of the New Notes*") from time to time (which may not constitute all or substantially all of the Parent's assets). Upon such substitution, each Holding Company (as defined in "*Description of the New Notes*") of the IPO Pushdown Entity will be irrevocably and unconditionally released from all obligations under the New Indenture, the Intercreditor Agreement and any security granted by any such Holding Company, and the Note Guarantees and any Collateral provided by such entities will therefore be released, which could materially reduce the Collateral securing the Exchange Notes and the Note Guarantees. Moreover, we may elect to, but are under no obligation to, revoke or otherwise reverse an IPO Pushdown undertaken in contemplation of an IPO Event (as defined in "*Description of the New Notes*"), or to replace any Note Guarantees or Collateral released pursuant thereto, in the event that such IPO Event is not consummated. To the extent that new security documents in respect of any collateral to be retaken (including a pledge over the shares of the Issuer) are entered into, such collateral may be subject to new hardening periods.

The incurrence of permitted debt in the future may create or restart hardening periods, i.e. the periods of time following the granting of security interests during which such security interests may be void or subject to challenge in accordance with the laws applicable in England and Wales, Guernsey, Jersey and the Netherlands if the grantor of the security interest enters into an insolvency process.

The granting of shared security interests to secure future indebtedness permitted to be secured by the Collateral may restart or re-open hardening periods, as the New Indenture permits the release and retaking of security granted in favor of the Exchange Notes in certain circumstances, including in connection with the incurrence of future indebtedness. The applicable hardening periods for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the grantor of the security interest were to enter into an insolvency process before the end of the respective hardening period applicable in such jurisdiction, it may be void or subject to challenge and some or all of the security interests may not be possible to enforce such security interest. The same rights also apply in connection with the accession of subsidiaries as additional Guarantors of the Exchange Notes and the granting of security interests over their respective assets and equity interests for the benefit of holders of the Exchange Notes.

Risks relating to our structure

The Issuer is a wholly owned finance subsidiary that does not have any revenue of its own and will depend on cash from operating companies to be able to make payments on the Exchange Notes.

The Issuer is a wholly owned finance subsidiary of the Parent with no business operations or significant assets, other than the Outstanding Existing Notes, the New Money Notes and the Exchange Notes. The Issuer will be dependent upon the cash flow from our operating companies to meet its obligations under the Outstanding Existing Notes, the New Money Notes and the Exchange Notes. The amount of cash available to the Issuer will depend on the profitability and cash flows of the operating companies in the Group and the ability of those companies to transfer funds under applicable law. The operating companies in the Group, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance loans, directly or indirectly, to the Issuer in order for the Issuer to make payments in respect of the Outstanding Existing Notes, the New Money Notes and the Exchange Notes. Various agreements governing the Group's debt may restrict, and, in some cases, may prevent the ability of the members of the Group to transfer funds within the Group. In addition, the members of the Group that do not guarantee the Exchange Notes have no obligation to make payments with respect to the Exchange Notes.

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

The Issuer may be a "covered fund" as defined under Section 13 of the Bank Holding Company Act of 1956, as amended (together with the rules, regulations and published guidance thereunder, as amended, the "**Volcker Rule**"). The definition of "covered fund" in the Volcker Rule includes, among other things, any entity that would be an investment company under the Investment Company Act but for the exclusion provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Issuer and each of the Guarantors relies on Section 3(c)(7) of the Investment Company Act for their exclusion from registration thereunder (which limits resales to U.S. persons of the Exchange Notes to "qualified purchasers" as such term is defined in the Investment Company Act), they will be considered "covered funds" for purposes of the Volcker Rule in the absence of an exclusion from the definition of "covered fund." Accordingly, "banking entities" (as defined under the Volcker Rule) that are subject to the Volcker Rule may be prohibited or limited under the Volcker Rule from, among other things, acquiring or retaining an "ownership interest" in the Issuer or any of the Guarantors as a "covered fund," in the absence of an applicable exemption under the Volcker Rule. Depending on market conditions, this could significantly and negatively affect the liquidity and market value of the Exchange Notes and the Note Guarantees.

"Ownership interest" is broadly defined under the Volcker Rule to include any equity, partnership or other similar interest, and the phrase "other similar interest" is further defined to include, in part, any participation or other interest that entitles the holder of such interest to, among other things: (a) participate in the selection or removal of management or otherwise (other than as a creditor exercising remedies upon an event of default or acceleration event and to participate in the removal of an investment manager for "cause" (as defined therein) or in the selection of a replacement manager upon an investment manager's resignation or removal), (b) share in the income, gains or profits of the "covered fund," (c) receive underlying assets of the "covered fund" after all other interests have been redeemed and/or paid in full (other than as a creditor exercising remedies upon an event of default or acceleration event), (d) receive all or a portion of excess spread (as defined therein), (e) provide under the terms of the interest that the amounts payable by the "covered fund" with respect to the interest can be reduced based on losses arising from the underlying assets of the "covered fund," (f) receive income on a pass-through basis from the "covered fund" or have a rate of return that is determined by reference to the performance of the underlying assets of the "covered fund," or (g) any synthetic right to have, receive or be allocated any of the rights in clauses (a) through (f) above.

On June 25, 2020, the relevant federal regulatory agencies responsible for implementing the Volcker Rule released a final rule to amend certain parts of the Volcker Rule's covered fund related restrictions. The changes are intended to improve and streamline certain aspects of the "covered funds" portion of the Volcker Rule, including by, among other aspects, making modifications to certain existing exclusions from the definition of "covered fund," creating certain new exclusions from the definition of "covered fund," and making certain clarifications to the definition of "ownership interest." The final rule became effective on October 1, 2020.

The Volcker Rule may restrict or discourage the acquisition of Exchange Notes and the Note Guarantees by "banking entities" and may adversely affect the liquidity of the Exchange Notes and the Note Guarantees. Each purchaser of the Exchange Notes must make its own determination as to whether it is a "banking entity" subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain any such Exchange Notes. Investors in the Exchange Notes and the Note Guarantees are responsible for analyzing their own regulatory position and any liquidity in connection therewith and on its portfolio generally, and should consult with their own counsel as to the potential consequences of the Volcker Rule before making an investment decision. Neither the Issuer nor the Guarantors, the Dealer Managers, the Security Agent, the New Notes Trustee or any of their respective affiliates makes any representation to any prospective investor or purchaser of the Exchange Notes and the Note Guarantees regarding the treatment of the Issuer or any of the Guarantors under the Volcker Rule, or to such investor's investment in the Exchange Notes and the Note Guarantees on the Issue Date or at any time in the future.

The interests of our controlling shareholder may differ from the interests of the holders of the Exchange Notes.

TDR Capital indirectly beneficially owns approximately 91.42% of the outstanding shares of the Issuer. As a result, TDR Capital is able to control matters requiring shareholder approval, including the election and removal of our directors, our corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. The interests of TDR Capital may differ from yours in material respects. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of TDR Capital, as ultimate majority shareholder, may be in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to you as a holder of Exchange Notes. TDR Capital has no contractual obligations to fund our business and may not have sufficient liquidity to fund our business, if we require additional funding. Additionally, the New Indenture will permit us to pay management fees, dividends or make other restricted payments under certain circumstances, and TDR Capital may have an interest in us doing so. See "*Certain Relationships and Related Party Transactions*."

Furthermore, TDR Capital and its affiliates are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with us, or with which we conduct business. TDR Capital and its affiliates may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. You should consider that the interests of TDR Capital and its affiliates may differ from yours in material respects. See "*Principal Shareholders*" and "*Certain Relationships and Related Party Transactions*."

We may not be able to obtain the funds required to repurchase the Outstanding Existing Notes, the New Money Notes and the Exchange Notes upon a change of control.

The Existing Indenture contains, and the New Indenture will contain provisions relating to certain events constituting a "change of control" of the Parent. Upon the occurrence of a change of control, we will be required to offer to repurchase all Outstanding Existing Notes, New Money Notes and Exchange Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of repurchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the Outstanding Existing Notes, the New Money Notes and the Exchange Notes, or that the restrictions in our New Revolving Credit Facility Agreement, the Existing Indenture, the New Indenture, the Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of, our New Revolving Credit Facility and other indebtedness. The repurchase of the Outstanding Existing Notes, the New Money Notes and the Exchange Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from members of the Group to allow it to pay cash to the holders of the Outstanding Existing Notes, the New Money Notes and the Exchange Notes following the occurrence of a change of control, may be limited by our then-existing financial resources. In addition, under the terms of the New Revolving Credit Facility Agreement, under certain circumstances, we are required to repay an equal amount of debt and cancel the corresponding commitments under our New Revolving Credit Facility Agreement if we repay all or a portion of the principal under the Outstanding Existing Notes, the New Money Notes and the Exchange Notes. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when the Group is prohibited from providing funds to the Issuer for the purpose of repurchasing the Outstanding Existing Notes, the New Money Notes and the Exchange Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Outstanding Existing Notes, the New Money Notes and the Exchange Notes, or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Outstanding Existing Notes, New Money Notes and Exchange Notes. In addition, we may require third party financing to make an offer to repurchase the Outstanding Existing Notes, the New Money Notes and the Exchange Notes upon a change of control. We cannot assure you that the Group would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Outstanding Existing Notes, the New Money Notes and the Exchange Notes would constitute a default under the Existing Indenture and the New Indenture, as applicable, which would, in turn, constitute a default under the New Revolving Credit Facility Agreement. See "*Description of the New Notes—Change of Control*."

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

In addition, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control if a defined consolidated leverage ratio does not exceed a certain level in connection with such event. In the event the Parent is sold to a new investor, irrespective of whether such sale constitutes a change of control under the New Indenture, no assurance can be given that any such investor will continue to implement our current business and financial strategy. See "*Description of the New Notes—Change of Control*" and "*Description of the New Notes—Certain definitions—Specified Change of Control Event*."

The definition of "Change of Control" in the New Indenture will include a disposition of all or substantially all of the assets of the Parent and its Restricted Subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Parent's and its Restricted Subsidiaries' assets, taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Exchange Notes.

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

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

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

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

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

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

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

English, Guernsey, Jersey, Portuguese, Luxembourg and Dutch insolvency laws may provide you with less protection than U.S. bankruptcy law and enforcing your rights as a holder of the Exchange Notes or under the Note Guarantees or security interests in the Collateral across multiple jurisdictions may be difficult.

The Issuer and the Guarantors are incorporated under the laws of England and Wales, Guernsey, Jersey, the Netherlands, Luxembourg and Portugal. Accordingly, insolvency proceedings with respect to any of those entities would be likely to proceed under, and be governed by, English, Guernsey, Jersey, Dutch, Luxembourg or Portuguese insolvency law. English, Guernsey, Jersey, Dutch, Luxembourg and Portuguese insolvency law are not identical to, and insolvency outcomes may vary from, the laws of other jurisdictions with which investors are familiar. In the event that any one or more of the Issuer, the Guarantors or any of the Parent's other subsidiaries, or any other grantor of security interests in the Collateral, experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, the outcome of insolvency or similar proceedings or whether English, Guernsey, Jersey, Dutch, Luxembourg or Portuguese insolvency laws would be favorable to your interests.

Future Note Guarantees and Collateral to be provided by entities organized in jurisdictions not discussed in this Exchange Offer Memorandum will also be subject to material limitations pursuant to their terms, by statute or otherwise. Any enforcement of such Note Guarantees or security after bankruptcy or an insolvency event in such other jurisdictions will be subject to the insolvency laws of the relevant entity's jurisdiction of organization or other jurisdictions. Pursuant to the European Council Regulation (EC) No. 848/2015 on insolvency proceedings, the court that shall have jurisdiction to commence insolvency proceedings in relation to a debtor is the court of the Member State (other than Denmark) where the debtor has its Center of Main Interest ("**COMI**"). Therefore, to the extent that the COMI of the Issuer or the Guarantors is deemed to be in a particular European jurisdiction, the courts of such jurisdiction may have jurisdiction over the insolvency proceedings with respect to it, irrespective of its jurisdiction of incorporation. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Note Guarantees or the Collateral in these jurisdictions and limit any amounts that you may receive. See "*Limitations on Validity and Enforceability of the Note Guarantees and Security Interests*."

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

The Guarantors' obligations and the security interests granted in respect of the Collateral are, or will be, subject to certain restrictions to comply with the laws of England and Wales, Guernsey, Jersey, the Netherlands, Portugal and Luxembourg. Each Note Guarantee will provide the holders of the Exchange Notes with a direct claim against the relevant Guarantor. However, the New Indenture will provide that each Note Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Note Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective or limited under applicable law, and enforcement of each Note Guarantee would be subject to certain generally available defenses. See "*Limitations on Validity and Enforceability of the Note Guarantees and Security Interests*."

Enforcement of any of the Note Guarantees against any Guarantor will be subject to certain defenses available to Guarantors in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer (or similar), voidable preference (or similar), insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Note Guarantee depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of any Note Guarantee against any Guarantor.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could potentially (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Note Guarantee, (ii) direct that the holders of the Exchange Notes return any amounts paid under a Note Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors or (iii) take other action that is detrimental to you, if the court found that:

- the relevant Note Guarantee was incurred with an actual desire to prefer one creditor over another and the Guarantor was insolvent or rendered insolvent because of the relevant Note Guarantee, incurred with the purpose of putting assets out of reach of or otherwise prejudicing creditors or shareholders of the Guarantor or, in certain jurisdictions, when the granting of the Note Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the relevant Note Guarantee (and subject, in most cases, to the Note Guarantee having been granted within the applicable "hardening period");

- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Note Guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Note Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Note Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity (and subject, in most cases, to the Note Guarantee having been granted within the applicable "hardening period");

- the relevant Note Guarantee was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or

- the amount paid or payable under the relevant Note Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to the New Indenture.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of method of valuation, a court would not determine that a Guarantor was insolvent on that date, or a that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Note Guarantee was granted, that payments to holders of the Exchange Notes constituted preferences, fraudulent transfers or conveyances or similar on other grounds.

The liability of each Guarantor under its Note Guarantee will be limited to the amount that will result in such Note Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in determining the maximum liability of each Guarantor. There is a possibility that the entire Note Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court were to decide that a Note Guarantee was a preference, fraudulent transfer or conveyance or similar and voided such Note Guarantee, or held it unenforceable for any other reason, you may cease to have any claim against the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Note Guarantee if and to the extent that it has not been declared void. In the event that any Note Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Note Guarantee obligations apply, the Exchange Notes would be effectively subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Exchange Notes or any Note Guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Exchange Notes.

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

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

The Exchange Notes will be structurally subordinated to the liabilities of the Unrestricted Subsidiaries and Permitted Purchase Obligations SPVs.

At the Settlement Date, the Guarantors will guarantee the Exchange Notes. However, not all members of the Group will guarantee the Exchange Notes, and, under various circumstances, the Note Guarantees may be released and newly incorporated direct or indirect subsidiaries of the Parent may not be required to guarantee the Exchange Notes. See "*Description of the New Notes*."

Unless a company is a Guarantor, such company will not have any obligation to pay amounts due under the Exchange Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, the Unrestricted Subsidiaries, including lenders under our finance facilities and bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to any Guarantor, as a direct or indirect shareholder.

In addition, our Permitted Purchase Obligations SPVs may and do incur Permitted Purchase Obligations. Our Permitted Purchase Obligations SPVs, which are not consolidated subsidiaries, will not be Guarantors, and therefore will not have any obligation to pay amounts due under the Exchange Notes or to make funds available for that purpose. Generally, holders of indebtedness of such Permitted Purchase Obligations SPVs are entitled to payments of their claims from the assets of such entities before these assets are made available for distribution to any Guarantor, as a direct or indirect shareholder.

Accordingly, in the event that any non-Guarantor subsidiary or any Permitted Purchase Obligations SPV becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer (including the holders of the Exchange Notes) and the Guarantors will have no right to proceed against the assets of such subsidiary or entity; and

- creditors of such non-Guarantor subsidiary, including trade creditors, or creditors of such Permitted Purchase Obligations SPV, as applicable, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary or entity, as applicable, before any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary or entity.

As such, the Exchange Notes and each Note Guarantee will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of the Unrestricted Subsidiaries and Permitted Purchase Obligations SPVs. In addition, the Existing Indenture permits and the New Indenture and the New Revolving Credit Facility Agreement will permit, subject to certain limitations, these Unrestricted Subsidiaries and Permitted Purchase Obligations SPVs to incur substantial additional indebtedness without such incurrence constituting a default under the Existing Indenture, the New Indenture or the New Revolving Credit Facility Agreement, and such indebtedness may also be secured. The Existing Indenture does not, and the New Indenture and the New Revolving Credit Facility Agreement will not, contain any limitation on the amount of other liabilities, such as deposits and trade payables, that may be incurred by these subsidiaries and entities.

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

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

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

Under various circumstances, Collateral securing the Exchange Notes and the Note Guarantees will be released automatically, including:

- in connection with any sale or other disposition of the property or assets constituting Collateral, if the sale or other disposition does not violate the "*Limitation on sale of assets and Subsidiary stock*" covenant or other provisions of the New Indenture;

- in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the New Indenture, the release of the property and assets, and share capital, of such Guarantor;

- if the Parent designates any Restricted Subsidiary (as defined in "*Description of the New Notes*") to be an Unrestricted Subsidiary in accordance with the applicable provisions of the New Indenture, the release of the property, assets and share capital of such subsidiary;

- upon payment in full of principal, interest and all other obligations in respect of the Exchange Notes, legal defeasance, covenant defeasance or satisfaction and discharge of the New Indenture as provided under the captions "*Description of the New Notes—Defeasance*," and "*Description of the New Notes—Satisfaction and discharge*"; or

- in connection with an enforcement sale pursuant to the Intercreditor Agreement or otherwise as contemplated in the Intercreditor Agreement.

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

- in the case of a Subsidiary Guarantee (as defined in "*Description of the New Notes*") only, in connection with any sale or other disposition of all or substantially all of the assets of a Guarantor (including by way of merger or consolidation) or the share capital of that Guarantor to a person that is not (either before or after giving effect to such transaction) the Parent or a Restricted Subsidiary of the Parent, if the sale or other disposition does not violate the "*Limitation on sale of assets and Subsidiary stock*" covenant of the New Indenture and the relevant Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

- in the case of a Subsidiary Guarantee only, if the Parent designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the New Indenture;

- upon payment in full of principal, interest and all other obligations in respect of the Exchange Notes, legal defeasance, covenant defeasance or satisfaction and discharge of the New Indenture as provided under the captions "*Description of the New Notes—Defeasance,*" and "*Description of the New Notes—Satisfaction and discharge*"; or

- in connection with an enforcement sale pursuant to the Intercreditor Agreement.

In addition, the Note Guarantees will each be subject to release upon enforcement sale as contemplated under the Intercreditor Agreement. Unless consented to, the Intercreditor Agreement will provide that the New Notes Trustee or Security Agent, as applicable, shall not, in an enforcement scenario, exercise its rights to release the relevant Note Guarantees or security interests in the Collateral unless the relevant sale or disposal is made:

- for consideration all or substantially all of which is in the form of cash; and

- pursuant to a public auction, or a fairness opinion has been obtained from an internationally recognized investment bank or accounting firm selected by the Security Agent.

See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the New Notes*."

The Exchange 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 Exchange Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global Exchange Notes will trade in book-entry form only, and Exchange Notes in definitive registered form, or definitive registered Exchange Notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of the book-entry interests will not be considered owners or holders of Exchange Notes unless and until definitive Exchange Notes are issued in exchange for book-entry interests. Instead, the common depositary (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the Exchange Notes in global form.

Payments of principal, interest and other amounts owing on or in respect of the Exchange Notes in global form will be made to the Paying Agent, which will make payments to the common depositary for Euroclear and Clearstream. Thereafter, such payments will be credited to Euroclear and Clearstream participants' accounts that hold book-entry interests in the Exchange Notes in global form and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, none of the Issuer, the Guarantors, the New Notes Trustee, the Paying Agent or any other paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear and Clearstream, or to owners of book-entry interests. Accordingly, if you own a book-entry interest in the Exchange Notes, you must rely on the procedures of Euroclear and Clearstream and, if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Exchange Notes under the New Indenture.

Owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Exchange Notes, including enforcement of security for the Exchange Notes and the Note Guarantees. Instead, if you own a book-entry interest, you will be reliant on the common depositary (as registered holder of the Exchange Notes) to act on your instructions and will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis.

There may not be an active trading market for the Exchange Notes, in which case your ability to sell the Exchange Notes may be limited.

We cannot assure you as to the liquidity of any market in the Exchange Notes, your ability to sell your Exchange Notes or the prices at which you would be able to sell your Exchange Notes.

Future trading prices for the Exchange Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Exchange Notes. The liquidity of a trading market for the Exchange Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Exchange Notes may attract different investors and this may affect the extent to which the Exchange Notes may trade. It is possible that the market for the Exchange Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Exchange Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Exchange Notes. If no active trading market develops, you may not be able to resell your holding of the Exchange Notes at a fair value, if at all.

Although an application will be made to the Authority for the listing of and permission to deal in the Exchange Notes on the Official List of the Exchange, we cannot assure you that the Exchange Notes will be or remain listed. If we cannot maintain the listing on the Official List of the Exchange or it determines that we will not maintain such listing, we may cease to make or maintain such listing, provided that we will use our commercially reasonable efforts to obtain and maintain the listing of the Exchange Notes on another recognized stock exchange, although there can be no assurance that we will be able to do so. Although no assurance is made as to the liquidity of the Exchange Notes as a result of the permission to deal in the Exchange Notes on the Official List of the Exchange being granted, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Exchange Notes, as applicable, from the Official List of the Exchange may have a material effect on a holder's ability to resell the Exchange Notes, as applicable, in the secondary market.

In addition, the New Indenture will allow us to issue additional Exchange Notes in the future, which could adversely impact the liquidity of the Exchange Notes. See "*Description of the New Notes—Additional Notes*."

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

One or more independent credit rating agencies may assign credit ratings to the Exchange Notes. The credit ratings address our ability to perform our obligations under the terms of the Exchange Notes and credit risks in determining the likelihood that payments will be made when due under the Exchange 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 Exchange 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 Exchange 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 Exchange Notes.

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

The Exchange Notes and the Note Guarantees have not been, and will not be, registered under the 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 Securities Act and the applicable securities laws of any state or any other jurisdiction. See "*Notice to Investors*" and "*Transfer Restrictions*." It is the obligation of holders of the Exchange Notes to ensure that their offers and sales of the Exchange Notes within the United States and other countries comply with applicable securities laws.

Investors may not be able to recover in U.S. civil proceedings.

The Issuer and the Guarantors and their respective subsidiaries are organized outside the United States, and their business is conducted outside the United States. The majority of the directors and executive officers of the Issuer and the Guarantors are non-residents of the United States. Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under the New Indenture, you may be unable to effect service of process within the United States on the majority of the directors and executive officers of the Issuer and the Guarantors. In addition, because the majority of the assets of the Issuer and the Guarantors and the majority of the assets of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts. Moreover, we cannot assure you that an English, Guernsey, Jersey, Dutch, Luxembourg or Portuguese court would accept jurisdiction and impose civil liability if the original action were commenced in Guernsey, Jersey, the Netherlands, Portugal and England and Wales, respectively, instead of the United States, predicated solely upon U.S. laws or other laws. See "*Enforcement of Civil Liabilities*."

Investors in and purchasers of the Exchange Notes may have limited or no recourse against our independent auditors.

See "*Independent Auditors*" for a description of the independent auditors' reports, including language limiting the independent auditors' scope of responsibility in relation to their audit work. Investors in and purchasers of the Exchange Notes may have limited or no recourse against the independent auditors.

Investors in and purchasers of the Exchange Notes should understand that consistent with guidance issued by ICAEW, the Institute of Chartered Accountants in England and Wales, the independent auditors' reports included elsewhere in this Exchange Offer Memorandum each state that: the report has been prepared for the named parties (the "**Addressees**") solely in response to a request from the Addressees for an opinion from the independent auditors on the truth and fairness of the non-statutory directors' reports and financial statements; that the report was designed to meet the agreed requirements of the Addressees determined by their needs at the time; the report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against the independent auditors other than the Addressees for any purpose or in any context; any party other than the Addressee(s) who obtains access to the report or a copy and chooses to rely on the report (or any part of it) will do so at its own risk; and to the fullest extent permitted by law, the independent auditors will accept no responsibility or liability in respect of the report to any other party. In the context of the Exchange Offer, the independent auditors have reconfirmed to us that they do not intend their duty of care in respect of their audits to extend to any party, such as investors in and purchasers of the Exchange Notes, other than the Addressees of their reports.

Without in any way, or on any basis, affecting, adding to or extending the independent auditors' duties and responsibilities to the Addressees or giving rise to any duty or responsibility being accepted or assumed by or imposed on the independent auditors to any party except the Addressees, the independent auditors have not withheld their consent to the Issuer's inclusion, independently of the independent auditors, of the audit reports contained in this Exchange Offer Memorandum for a proposed issuance of Exchange Notes, thereby demonstrating that an audit of the financial statements for each relevant period has been undertaken. The independent auditors' reports on the historical financial statements as of and for the years ended December 31, 2021, 2022 and 2023, are included elsewhere in this Exchange Offer Memorandum.

The extent to which independent auditors may have responsibility or liability to third parties can be unclear under the laws of many jurisdictions, including the United Kingdom. The inclusion of the language referred to above, however, may limit the ability of holders of the Exchange Notes to bring any action against the independent auditors for damages arising out of an investment in or purchase of the Exchange Notes.

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

In 2013, the European Commission published a proposal for a Directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States) which, if enacted and implemented by France, should replace the French FTT. However, Estonia has since stated that it will not participate. Following the Economic and Financial Affairs Council (the "**ECOFIN**") meeting of December 8, 2015, Estonia officially announced its withdrawal from the negotiations and, on March 16, 2016, completed the formalities required to leave the enhanced cooperation on FTT.

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

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

The FTT proposal remains subject to negotiation between the participating Member States and may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate, although certain Member States have expressed strong objections to the proposal It is unclear whether, and if so in what form, an FTT could be imposed. If the proposed directive or any similar taxes are adopted, such taxes could increase the transaction costs associated with the purchases and sales of the Exchange Notes and could reduce liquidity in the market for the Exchange Notes. Prospective holders of the Exchange Notes are advised to seek their own professional advice in relation to the FTT.

Risks relating to the Exchange Offer

There are differences between the terms of the Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes and the Exchange Notes, and you could be exposed to additional risks if you tender your Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange in the Exchange Offer.

While the terms of the Exchange Notes will be substantially similar to the terms of the Notes, certain material terms of the Exchange Notes will differ from those of the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes, including the issue date, the interest rate, the interest payment dates, the maturity date and the redemption terms. These material differences could expose holders of Existing Floating Rate Notes and holders of Existing Euro Fixed Rate Notes to additional risks if they tender their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange in the Exchange Offer. For further information on the Exchange Notes see "*Description of the New Notes,*" and "*Summary of the Exchange Offer.*"

In addition, holders of Existing Floating Rate Notes and holders of Existing Euro Fixed Rate Notes who tender their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange in the Exchange Offer which tender is accepted will receive Exchange Notes with a relevant maturity date later than the maturity date of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, and holders of Existing Floating Rate Notes and holders of Existing Euro Fixed Rate Notes who participate in the Exchange Offer could be adversely affected by this maturity extension. Our ability to service our debt following completion of the Exchange Offer will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on the success of our business strategy, the continued predictability of our ERC and on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed in these "*Risk Factors,*" many of which are beyond our control. There can be no assurances that we will have, or will be able to obtain, sufficient funds to repay the Exchange Notes when they become due. Following the maturity dates of the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes, but prior to the maturity date of the Exchange Notes, we may become subject to a bankruptcy or similar proceedings or we may otherwise be in a position in which we are unable to repay or refinance the Exchange Notes when they mature. If so, holders of Existing Floating Rate Notes and holders of Existing Euro Fixed Rate Notes who did not participate in the Exchange Offer may have been paid in full, and there is a risk that holders of the Exchange Notes will not be paid in full. If you decide to tender your Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange in the Exchange Offer and such tender is accepted, you will be exposed to the risk of non-payment for a longer period of time than if you do not participate in the Exchange Offer. In addition, we may not be able to repay or refinance any of our debt that matures prior to the maturity date of the Exchange Notes, including any Outstanding Existing Notes, which could lead to bankruptcy or similar proceedings prior to the maturity date of the Exchange Notes, which could adversely affect our ability to make all required principal and interest payments on the Exchange Notes.

The liquidity of the Existing Floating Rate Notes and of the Existing Euro Fixed Rate Notes and their related trading markets may be adversely impacted if the Exchange Offer is successful.

The current trading markets for the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes are limited. After the Exchange Offer is completed, the trading markets for the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes will become more limited and may be adversely impacted. The trading market for the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes could cease to exist due to the reduction in the amount of Existing Floating Rate Notes and Existing Euro Fixed Rate Notes outstanding. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes. If a market for Outstanding Existing Notes exists or develops, the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes may trade at a discount to the price at which the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes would trade if the amount outstanding were not reduced, depending on prevailing interest rates, the market for similar securities and other factors. However, there can be no assurance that an active market in the Outstanding Existing Notes will exist, develop or be maintained or as to the prices at which the Outstanding Existing Notes may be traded.

The Exchange Offer may be cancelled, delayed or amended.

The Issuer, subject to applicable law, is not obligated to complete the Exchange Offer under certain circumstances and unless and until certain conditions are satisfied, see "*Description of the Exchange Offer—Conditions to the Exchange Offer*." We may terminate or withdraw the Exchange Offer if any of the applicable conditions precedent are not satisfied or waived by the relevant dates.

For example, the consummation of the Exchange Offer is subject to, and conditional upon, among other things, the Minimum Condition. The Exchange Offer is also subject to the condition that nothing has occurred or may occur that would or might, in the Issuer's sole judgment, either prohibit, prevent, restrict or delay consummation of the Exchange Offer or any of the other Transactions, or is, or is reasonably likely to be, materially adverse to the Group's business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects. See "*Description of the Exchange Offer—Conditions to the Exchange Offer*."

In addition, subject to certain limitations, we have the right to amend the terms of the Exchange Offer prior to the Expiration Time, and we may choose to terminate the Exchange Offer. Depending on the materiality of any amendments to the terms of the Exchange Offer, we may not be required to extend withdrawal or revocation rights following the announcement of such change.

Even if the Exchange Offer is completed, it may not be completed on the schedule described in this Exchange Offer Memorandum. Accordingly, Eligible Holders who validly tender (and do not validly withdraw on or prior to the Expiration Time) their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange may not withdraw such tenders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange later and may have to wait longer than expected to receive their Exchange Notes (or to have their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes returned to them in the event that we terminate the Exchange Offer), during which time those Eligible Holders will not be able to effect transfers of any Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered (and not validly withdrawn) in the Exchange Offer. Settlement of the Exchange Offer may also become subject to litigation, which may delay or prevent settlement of the transactions contemplated by this Exchange Offer Memorandum or require us to pay damages in the event of an adverse judicial decision.

The Existing Floating Rate Notes and Existing Euro Fixed Rate Notes will be blocked in the relevant Clearing System's account for a period if you participate in the Exchange Offer.

When considering whether to offer Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange in the Exchange Offer, Eligible Holders should take into account that restrictions on the transfer of the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes will apply from the time of such offer. An Eligible Holder will, upon validly tendering (and not validly withdrawing) Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange in the Exchange Offer, agree that the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes tendered for exchange will be blocked in the relevant account at the relevant Clearing System from the date of the relevant tender of such Existing Floating Rate Notes and Existing Euro Fixed Rate Notes for exchange in the Exchange Offer is made until the earlier of: (i) the time of settlement on the

Settlement Date and (ii) the date of any termination of the Exchange Offer (including where such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are not accepted for exchange) or on which the Exchange Instruction is validly withdrawn.

Upon blocking of the securities account where Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are held, holders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered for exchange should be aware that they may not transfer title to such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes to other persons and may suffer losses if the market price of the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes changes and the Exchange Offer, in respect of that holder or generally, is not completed for whatever reason. See "*Description of the Exchange Offer*."

You are responsible for complying with the procedures and applicable restrictions of the Exchange Offer.

Holders of Existing Floating Rate Notes and holders of Existing Euro Fixed Rate Notes are responsible for complying with all the procedures of the Exchange Offer. The issuance of Exchange Notes in exchange for Existing Floating Rate Notes and Existing Euro Fixed Rate Notes will only occur upon proper completion of the procedures and requirements of the relevant Clearing System. Therefore, holders of Existing Floating Rate Notes and holders of Existing Euro Fixed Rate Notes who wish to exchange them for Exchange Notes should allow sufficient time for timely completion of the exchange procedures. If you are the beneficial owner of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee, and you wish to offer Existing Floating Rate Notes or Existing Euro Fixed Rate Notes in the Exchange Offer, you should promptly contact the person in whose name your Existing Floating Rate Notes and Existing Euro Fixed Rate Notes are registered and instruct that person to tender the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes on your behalf.

None of the Issuer, the Dealer Managers or the Exchange and Information Agent is obligated to extend the Exchange Offer or notify you of any failure to follow the proper procedures. See "*Description of the Exchange Offer—Procedures for Tendering Existing Floating Rate Notes and Existing Euro Fixed Rate Notes*."

Eligible Holders who hold Existing Floating Rate Notes or Existing Euro Fixed Rate Notes through the Clearing Systems must tender their Existing Floating Rate Notes and Existing Euro Fixed Rate Notes in compliance with the relevant Clearing System procedures. Beneficial owners whose Existing Floating Rate Notes or Existing Euro Fixed Rate Notes are held through a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if they wish to tender Existing Floating Rate Notes or Existing Euro Fixed Rate Notes. Beneficial owners should be aware that their broker, dealer, commercial bank, trust company or other nominee may establish its own earlier deadline for participation in the Exchange Offer. Accordingly, beneficial owners wishing to participate in the Exchange Offer should contact their broker, dealer, commercial bank, trust company or other nominee as soon as possible in order to determine the time by which such owner must take action in order to so participate. See "*Description of the Exchange Offer—Procedures for Tendering Existing Floating Rate Notes and Existing Euro Fixed Rate Notes*."

Custodial entities that are Direct Participants of Euroclear and Clearstream, and which desire to tender Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange, must instruct either Euroclear or Clearstream (as relevant) to block the Existing Floating Rate Notes and Existing Euro Fixed Rate Notes in their account and transmit a notice of acceptance in respect of the exchange with respect to the tendered Existing Floating Rate Notes and Existing Euro Fixed Rate Notes. Such notice of acceptance (including a confirmation of blocking) must be timely received by the Exchange and Information Agent from Euroclear or Clearstream via an appropriate Society for Worldwide Interbank Financial Telecommunication (SWIFT) message. See "*Description of the Exchange Offer—Procedures for Tendering Existing Floating Rate Notes and Existing Euro Fixed Rate Notes*."

Exchange Instructions submitted by Sanctions Restricted Persons will not be accepted.

A holder or beneficial owner of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes who is, or who is believed to be a Sanctions Restricted Person may not participate in the Exchange Offer. No Exchange Instruction submitted by a Sanctions Restricted Person will be accepted or counted, notwithstanding the purported delivery (and non-withdrawal or revocation) of an Exchange Instruction by it in respect of the Exchange Offer on or before the Expiration Time. The restriction described in this paragraph shall not apply if and to the extent that it is or would be a breach of any provision of Regulation (EC) No. 2271/1996 (the "**EU Blocking Regulation**") or any law or regulation implementing the EU Blocking Regulation in any Member State, or any blocking regulation in Switzerland or the United Kingdom or section 7 of the German Foreign Trade Regulation

(*Außenwirtschaftsverordnung—AWV*) in connection with the German Foreign Trade Law (*Außenwirtschaftsgesetz*).

The consideration offered in the Exchange Offer does not reflect any independent valuation of the Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes or the Exchange Notes.

Eligible Holders who validly tender (and do not thereafter validly withdraw) their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange in the Exchange Offer on or prior to the Expiration Time, subject to the satisfaction or waiver of the Minimum Condition and the Settlement Conditions (and evidence thereof satisfactory to the Existing Notes Trustee having been provided to the Existing Notes Trustee (along with the requisite deliverables under and in accordance with the Existing Indenture)), are entitled to receive Exchange Notes and Cash Consideration.

We have not obtained or requested a fairness opinion from any banking or other firm as to the fairness of the consideration offered in the Exchange Offer or the value of the Existing Floating Rate Notes or the Existing Euro Fixed Rate Notes. There can be no assurance that holders of Existing Floating Rate Notes or holders of Existing Euro Fixed Rate Notes who tender their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange in the Exchange Offer will receive more or as much value than if they keep such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes.

The consummation of the Exchange Offer is subject to the satisfaction or waiver of certain conditions, to be determined at the Issuer's sole judgment.

There can be no assurance that the Exchange Offer will be consummated. The consummation of the Exchange Offer requires the satisfaction and waiver of certain conditions, including the Minimum Condition, at the Issuer's sole judgment. If at any time prior to the consummation of the Exchange Offer the Issuer determines, in its sole judgment, and, in each case, subject to applicable law, that any of the conditions set out in the Exchange Offer Memorandum shall not have been satisfied or waived by the Issuer, the Issuer will not be required to, and shall not, accept for exchange Existing Floating Rate Notes or Existing Euro Fixed Rate Notes validly tendered (and not validly withdrawn) pursuant to the Exchange Offer, and may terminate, amend or extend the Exchange Offer, subject in each case to the terms of this Exchange Offer Memorandum, or delay or refrain from accepting, or exchanging, such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes or transferring any applicable offer consideration. Conditions include, but are not limited to: (i) the Minimum Condition being satisfied, (ii) execution by the New Notes Trustee of the New Indenture and (iii) the Issuer and the Guarantors having taken all necessary steps to authorize the Exchange Offer. See "*Description of the Exchange Offer—Conditions to the Exchange Offer*."

Furthermore, the conditions set out in this Exchange Offer Memorandum are solely for the Issuer's benefit and may be asserted by the Issuer or may be waived by the Issuer at any time and from time to time, subject to applicable law and the terms set forth in this Exchange Offer Memorandum. Further, subject to applicable law and the terms set forth in this Exchange Offer Memorandum, the Issuer reserves the right to waive any and all conditions to any and all of the Exchange Offer, in whole or in part, and may do so without reinstating withdrawal or revocation rights.

If the Issuer determines, in its sole judgment, that any of the foregoing conditions shall not have been satisfied or waived with respect to the Exchange Offer, subject to the termination rights described above, the Issuer may, subject to applicable law, (i) return the Existing Floating Rate Notes or Existing Euro Fixed Rate Notes tendered thereunder to the tendering holder, (ii) extend the Expiration Time and retain all Existing Floating Rate Notes and Existing Euro Fixed Rate Notes tendered pursuant to the Exchange Offer until the expiration of the extended Exchange Offer or (iii) amend the Exchange Offer in any respect.

To participate in the Exchange Offer, Eligible Holders must offer Existing Floating Rate Notes and Existing Euro Fixed Rate Notes for exchange in aggregate amounts of at least €100,000.

The Exchange Notes to be issued to any Eligible Holders of Existing Notes in the Exchange Offer will be issued with minimum denominations of €100,000 principal amount and integral multiples of €1,000 principal amount in excess thereof, and we reserve the right to reject tenders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes that would result in the issuance of Exchange Notes with principal amounts that are less than such minimum denominations.

We may repurchase any Existing Floating Rate Notes and Existing Euro Fixed Rate Notes that are not offered for exchange in the Exchange Offer on terms that are more favorable to the remaining holders of Existing Floating Rate Notes and the remaining holders of Existing Euro Fixed Rate Notes than the terms of the Exchange Offer.

The Issuer or its affiliates may, to the extent permitted by applicable law, acquire Existing Floating Rate Notes and Existing Euro Fixed Rate Notes that are not tendered and accepted in the Exchange Offer through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemption or otherwise, upon such terms and at such prices as the Issuer may determine, which may be more or less favorable (including different consideration) to such holders of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes than the terms of the Exchange Offer. There can be no assurance as to which, if any, of these alternatives or combinations thereof the Issuer or its affiliates may choose to pursue in the future.

We also reserve the right to repurchase or redeem any Existing Floating Rate Notes and Existing Euro Fixed Rate Notes not offered for exchange in the Exchange Offer. If we decide to repurchase or redeem Existing Floating Rate Notes or Existing Euro Fixed Rate Notes on terms that are more favorable than the terms of the Exchange Offer, those holders who decide not to participate in the Exchange Offer could ultimately receive consideration in cash or other form that represents greater value for their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes than the value received by Eligible Holders that participate in the Exchange Offer.

Eligible Holders should consult their own tax, accounting, financial and legal advisers regarding their specific tax or accounting consequences of participating or declining to participate in the Exchange Offer and an investment in the Exchange Notes.

Eligible Holders should consult their own tax, accounting, financial and legal advisers regarding their specific tax or accounting consequences of participating or declining to participate in the Exchange Offer or an investment in the Exchange Notes. None of the Issuer, the Dealer Managers, the Trustees or the Exchange and Information Agent makes any recommendation to any Eligible Holder of Existing Floating Rate Notes or Existing Euro Fixed Rate Notes as to whether such Eligible Holder should tender its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange or refrain from tendering its Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange in the Exchange Offer, and none of the aforementioned parties has authorized any person to make any such recommendation on their behalf.

Eligible Holders are notified that we have not provided any tax analysis in this Exchange Offer Memorandum that is intended or written to be used or relied upon or that can be used or relied upon by any taxpayer for the purpose of avoiding penalties. Eligible Holders should seek advice based on their particular circumstances in connection with any decision to tender their Existing Floating Rate Notes or Existing Euro Fixed Rate Notes for exchange in the Exchange Offer from a tax advisor.

USE OF PROCEEDS

The Issuer will not receive any cash proceeds from the issuance of the Exchange Notes in the Exchange Offer. The Cash Consideration, accrued and unpaid interest in respect of all Existing Floating Rate Notes and Existing Euro Fixed Rate Notes validly offered (and not validly withdrawn) and accepted by the Issuer for exchange from, and including, the most recent interest payment in respect of such Existing Floating Rate Notes or Existing Euro Fixed Rate Notes, as applicable, to, but not including, the Settlement Date and the fees and expenses incurred in connection with the Exchange Offer will be funded with the Group's cash on hand and/or proceeds from the New Money Notes Offering. The Issuer has agreed to pay the fees and expenses of the Dealer Managers, Exchange and Information Agent and the Trustees, the Security Agent and their respective agents and counsel, for services in connection with the Exchange Offer.

CAPITALIZATION

The following table sets forth the consolidated cash and equivalents, capitalization and certain other balance sheet information of the Group, (i) on an actual basis as of September 30, 2024, (ii) on an as adjusted basis to give effect to the Transactions as described in "*Summary—The Transactions*" as if they had occurred on September 30, 2024 and assuming satisfaction of the Minimum Condition and (iii) on a further as adjusted basis to give effect to the Transactions as if they had occurred on September 30, 2024 and assuming 100% participation in the Exchange Offer and/or the Tender Offers in respect of the Existing Notes.

As adjusted information below is illustrative only and does not purport to be indicative of the capitalization of the Group following the completion of the foregoing. All amounts in the table below are presented assuming an exchange rate of €1.20 to £1.00 (based on the Bloomberg Composite Rate (New York) as of September 30, 2024).

You should read this table together with the sections of this Exchange Offer Memorandum entitled "*Use of Proceeds*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" and with the Group's consolidated financial statements and related notes included elsewhere in this Exchange Offer Memorandum.

	As of September 30, 2024 (£ in millions)		
	Actual	**As Adjusted assuming satisfaction of the Minimum Condition**	**As Adjusted assuming 100% participation in the Exchange Offer and/or the Tender Offers**
Cash and cash equivalents[(1)]	**91.0**	**65.0**	**64.0**
Debt:			
Existing Notes[(2)]	1,216.6	304.1	—
Existing Floating Rate Notes	*533.3*	*133.3*	—
Existing Euro Fixed Rate Notes	*333.3*	*83.3*	—
Existing Sterling Fixed Rate Notes	*350.0*	*87.5*	—
New Notes, including the Exchange Notes[(3)]	—	912.5	1,216.6
Existing Revolving Credit Facility[(4)]	147.6	—	—
New Revolving Credit Facility[(5)]	—	147.6	147.6
Miscellaneous Facilities (including other borrowings)[(6)]	21.9	21.9	21.9
Total debt	**1,386.1**	**1,386.1**	**1,386.1**
Total equity attributable to shareholders[(7)]	269.5	269.5	269.5
Total capitalization	**1,655.6**	**1,655.6**	**1,655.6**

(1) As of September 30, 2024, our cash and cash equivalents were £91.0 million. As adjusted amount of our cash and cash equivalents represents the utilization of cash from our balance sheet in relation to the payment of fees, expenses and accrued and unpaid interest in connection with the Transactions. Given ordinary course movements in our cash and cash equivalents, the adjusted amount of cash presented in the table above is not illustrative of the actual amount of cash as of the date of this Exchange Offer Memorandum.

(2) Existing Notes represents the aggregate principal amount of the Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes and the Existing Sterling Fixed Rate outstanding as of September 30, 2024, based on a conversion of the euro-denominated aggregate principal amount of the Existing Floating Rate Notes and the Existing Euro Fixed Rate Notes into pounds sterling assuming an exchange rate of €1.20 to £1.00 (based on the Bloomberg Composite Rate (New York) as of September 30, 2024). The amount of the Existing Notes as adjusted assuming satisfaction of the Minimum Condition presented above assumes that following the completion of the Transactions, including the completion of the Tender Offers and/or the Exchange Offer as contemplated hereby, 25% of the aggregate principal amount of the Existing Notes remain outstanding (consisting of €160,000,000 in aggregate principal amount of the Existing Floating Rate Notes, €100,000,000 in aggregate principal amount of the Existing Euro Fixed Rate Notes and £87,500,000 in aggregate principal amount of the Existing Sterling Fixed Rate Notes). The amount of the Existing Notes as adjusted assuming 100% participation in the Exchange Offer and/or the Tender Offers, assumes that following the completion of the Transactions, including the completion of the Tender Offers and/or the Exchange Offer as contemplated hereby, the entire aggregate principal amount of the Existing Notes will have been exchanged and/or repurchased, as applicable.

(3) The amount of the Existing Notes as adjusted assuming satisfaction of the Minimum Condition presented above assumes that following the completion of the Transactions, including the completion of the Tender Offers and/or the Exchange Offer as contemplated hereby, the New Notes in a combined aggregate principal amount equal to 75% of the outstanding aggregate principal amount of the Existing Notes is issued (consisting of €480,000,000 in aggregate principal amount of the New Floating Rate Notes, €300,000,000 in aggregate principal amount of the New Euro Fixed Rate Notes and £262,500,000 in aggregate principal amount of the New Existing Sterling Fixed Rate Notes). The amount of the New Notes as adjusted assuming 100% participation in the Exchange Offer and/or the Tender Offers, assumes the issuance of (i) €320,000,000 in aggregate principal amount of New Floating Rate Notes, €200,000,000 in aggregate principal amount of New Fixed Rate Euro Notes and £350,000,000 in aggregate principal amount of New Fixed Rate Sterling Notes

pursuant to the New Money Notes Offering, in each case, assuming an issuance at par, and (ii) €320,000,000 in aggregate principal amount of New Floating Rate Notes and €200,000,000 in aggregate principal amount of New Fixed Rate Euro Notes as Exchange Notes pursuant to the Exchange Offer.

(4) The Existing Revolving Credit Facility provides for borrowings of up to £285.0 million. As of September 30, 2024, £147.6 million was drawn under the Existing Revolving Credit Facility (pre-netting of transaction fees). On or about the Settlement Date, after giving effect to the Transactions, the Existing Revolving Credit Facility will be cancelled in its entirety, and the outstanding balance under the Existing Revolving Credit Facility will be cashlessly rolled over to the New Revolving Credit Facility. Exiting lenders under the Existing Revolving Credit Facility will be repaid in cash by incoming lenders or existing lenders have upsized commitments under the New Revolving Credit Facility.

(5) On or about the date of this Exchange Offer Memorandum, the Issuer will enter into the New Revolving Credit Facility Agreement, which will provide for borrowings of up to £285.0 million. Under the terms of the Intercreditor Agreement and subject to the terms of the New Indenture, lenders under the New Revolving Credit Facility Agreement and certain operating facilities, if any, and counterparties to certain hedging obligations, if any, will receive priority with respect to any proceeds received upon any enforcement action over the Collateral. See "*Description of Other Indebtedness—Intercreditor Agreement*."

(6) Represents the carrying value of the Miscellaneous Facilities and certain other borrowings as of September 30, 2024. Presented as "Bank overdrafts" and "Other Borrowings" in the Group's consolidated financial statements. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

(7) Represents the equity of the Group as of September 30, 2024.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables summarize our historical financial information as of the dates and for the periods indicated. The summary historical financial information as of and for the year ended December 31, 2021, the year ended December 31, 2022 and the year ended December 31, 2023 has been derived from our consolidated financial statements and the combined financial information included elsewhere in this Exchange Offer Memorandum.

The information of the Parent on a consolidated basis for the twelve months ended September 30, 2024 in the following tables was calculated by subtracting the Group's results of operations data for the nine months ended September 30, 2023 from the Group's results of operations data for the year ended December 31, 2023, and adding the Group's results of operations data for the nine months September 30, 2024. The consolidated financial information of the Parent for the twelve months ended September 30, 2024 has been prepared solely for the purposes of this Exchange Offer Memorandum and is for illustrative purposes only. The consolidated financial information of the Parent for the twelve months ended September 30, 2024 is not necessarily representative of the Group's or the Parent's results of operations for any future period or their financial condition at any future date, is unaudited and is not prepared in the ordinary course of our financial reporting or in accordance with IFRS.

The results of operations and other financial and operating information for prior years are not necessarily indicative of the results to be expected for any future period.

This financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes included elsewhere in this Exchange Offer Memorandum and discussed in "*Presentation of Financial and Other Information,*" "*Summary—Summary Historical Consolidated Financial and Other Information,*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

	AGGL	**Combined ≠**	**As of December 31,**		**For the twelve months ended September 30,**	**For the nine months ended September 30,**	
	As of December 31,						
	2021		**2022**	**2023**	**2024**	**2023**	**2024**
			(£'000)		*(£'000)*	*(£'000)*	
Income from portfolio investments at amortized cost	134,101	132,758	97,812	55,462	47,720	41,621	33,879
Fair value gains on portfolio investments at FVTPL	62,451	62,451	21,351	32,433	47,817	25,180	40,564
Impairment gains/(losses) on portfolio investments at amortized cost	2,709	17,508	9,130	(16,883)	(8,281)	(7,198)	1,404
Income/(loss) from real estate inventories	1,963	1,963	2,072	2,403	4,548	(79)	2,066
Share of profit in portfolio joint venture	—	—	—	7,266	12,914	3,274	8,922
Total income from portfolio investments	**201,224**	**214,680**	**130,365**	**80,681**	**104,718**	**62,798**	**86,835**
Integrated fund and asset management income	116,477	116,477	162,323	193,626	246,530	140,405	193,309
Profit on disposal of held for sale assets and liabilities	—	—	—	11,944	—	11,944	—
Gain on disposal of subsidiary	—	—	2,121	—	—	—	—
Other income	98	98	963	1,179	1,799	1,040	1,660
Total income	**317,799**	**331,255**	**295,772**	**287,430**	**353,047**	**216,187**	**281,804**
Operating expenses:							
Collection activity and fund management costs	(137,169)	(137,169)	(129,507)	(130,421)	(129,332)	(97,883)	(96,794)
Loss on reclassification to held for sale	—	—	(21,342)	—		—	—
Other operating expenses	(185,113)	(192,976)	(142,314)	(194,528)	(192,795)	(142,849)	(141,116)
Total operating expenses	**(322,282)**	**(330,145)**	**(293,163)**	**(324,949)**	**(322,127)**	**(240,732)**	**(237,910)**
Operating (loss)/profit	**(4,483)**	**1,110**	**2,609**	**(37,519)**	**30,920**	**(24,545)**	**43,894**
Derivative fair value movements		—	(4,834)	12,018	—	12,018	—
Finance income	22	—	537	776	562	472	258
Finance costs	(96,478)	(85,840)	(83,686)	(103,712)	(106,866)	(77,460)	(80,614)
Share of profit in associate	—	—	1,684	3,089	—	3,089	—
Loss before tax	**(100,939)**	**(84,730)**	**(83,690)**	**(125,348)**	**(75,385)**	**(86,425)**	**(36,462)**
Taxation (charge)/credit on ordinary activities	(22,712)	(2,932)	(1,417)	75	(8,142)	11,383	3,166
Loss after tax	**(123,651)**	**(87,662)**	**(85,107)**	**(125,273)**	**(83,527)**	**(75,042)**	**(33,296)**

	AGGL	Combined ≠	As of December 31,		For the twelve months ended September 30,	For the nine months ended September 30,	
	As of December 31,						
	2021		2022	2023	2024	2023	2024
			(£'000)		(£'000)	(£'000)	
Other comprehensive income/(loss):							
Items that are or may be reclassified subsequently to profit or loss:							
Foreign exchange translation difference arising on revaluation of foreign operations	(10,157)	—	1,877	207	(1,714)	(159)	(2,080)
Movement on the hedging reserve	63	—	556	(1,803)	(3,958)	1,707	(448)
Total comprehensive loss	**(133,745)**	**(87,662)**	**(82,674)**	**(126,869)**	**(89,199)**	**(73,494)**	**(35,824)**
Profit/(loss) attributable to:							
Owners of the Company	(123,805)	(87,816)	(84,756)	(125,967)	(83,299)	(75,838)	(33,170)
Non-controlling interest	154	154	(351)	694	(228)	796	(126)
	(123,651)	**(87,662)**	**(85,107)**	**(125,273)**	**(83,527)**	**(75,042)**	**(33,296)**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "Presentation of Financial and Other Information—Financial Information for the Group."

Consolidated Balance Sheet Data

	As of December 31,			As of September 30,	
	2021≠	2022	2023	2023	2024
		(£'000)		(£'000)	
Assets					
Portfolio investments – amortized cost	704,944	392,182	323,827	362,450	260,770
Portfolio investments – FVTPL	302,808	331,199	380,977	367,919	383,603
Portfolio investments – real estate inventories	41,029	51,463	54,588	61,578	13,958
Portfolio investments – joint venture	—	—	87,253	88,154	81,514
Total portfolio investments	**1,048,781**	**774,844**	**846,645**	**880,101**	**739,845**
Liabilities					
Senior secured notes(1)	1,211,416	1,258,358	1,246,132	1,253,626	1,222,713
Existing Revolving Credit Facility	167,373	169,104	157,592	127,359	146,073
Asset-backed loans	55,158	8,246	—	—	—
Bank overdrafts	9,630	8,423	6,214	7,542	6,135
Other borrowings(2)	2,241	13,590	24,482	23,847	15,721
Total borrowings	**1,445,818**	**1,457,721**	**1,434,420**	**1,412,374**	**1,390,642**

≠ Derived from Parent 2021 Financial Information. See "*Presentation of Financial and Other Information—Financial Information for the Group.*"

The above represents data extracted from the consolidated balance sheet information of the Group.

(1) The Existing Floating Rate Notes, the Existing Euro Fixed Rate Notes and the Existing Sterling Fixed Rate Notes are presented as "*€640 million secured senior note (4.625% plus 3-month Euribor),*" "*€400 million secured senior note (4.5%)*" and "*£350 million secured senior note (6%),*" respectively, in the Group's consolidated financial statements. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

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

Consolidated Statement of Cash Flow Data

	AGGL	Combined≠				
	For the twelve months ended December 31,		For the twelve months ended December 31,		For the nine months ended September 30,	
	2021		2022	2023	2023	2024
			(£'000)		(£'000)	
Net cash generated by operating activities	10,514	7,217	61,243	121,031	67,961	92,181
Net cash (used in) by investing activities	(55,749)	(568,702)	(21,692)	(41,522)	(17,832)	(17,857)
Net cash flow generated by/(used in) financing activities	61,294	580,406	(106,127)	(109,499)	(104,154)	(93,138)

	AGGL	Combined≠				
	For the twelve months ended December 31,		For the twelve months ended December 31,		For the nine months ended September 30,	
	2021		2022	2023	2023	2024
			(£'000)		*(£'000)*	
Net increase/(decrease) in cash and cash equivalents	**16,059**	**18,921**	**(66,576)**	**(29,990)**	**(54,025)**	**(18,814)**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

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

*The following discussion and analysis of our financial condition and results of operations covers the consolidated financial condition and results of operations of the Group. Accordingly, the following discussion and analysis should be read in conjunction with the consolidated financial statements of the Group as of and for the years ended December 31, 2021, December 31, 2022 and December 31, 2023 and as of and for the nine months ended September 30, 2023 and September 30, 2024 (collectively, the "**periods under review**") and related notes, included elsewhere in this Exchange Offer Memorandum.*

*TDR Capital completed the Acquisition of our Group on October 11, 2021. Prior to our Acquisition, we reported our financial results, and prepared our audited consolidated financial statements at the level of Arrow Group Global Limited (previously known as Arrow Group Global plc) ("**AGGL**") and its subsidiaries. Following the completion of our Acquisition, and effective from October 11, 2021, we changed our consolidation perimeter from AGGL to the Parent, and commenced reporting our financial results, and preparing our audited consolidated financial statements at the level of the Parent and its subsidiaries. However, the audited consolidated financial statements of the Parent and its subsidiaries as of and for the period from March 29, 2021 (the date of incorporation of the Parent) to December 31, 2021 (the "**Parent 2021 Financial Statements**"), contain the operating results of the Group from October 11, 2021 only. In addition, prior to October 11, 2021, the Parent and its then subsidiaries (which includes the Issuer) had no revenue-generating activities and no business operations, material assets or liabilities other than assets and liabilities acquired or incurred in connection with their incorporation. As a result, in addition to the Parent 2021 Financial Statements, we have included elsewhere in this Exchange Offer Memorandum, the audited consolidated financial statements of AGGL and its subsidiaries as of and for the period from January 1, 2021 to December 31, 2021 (the "**AGGL 2021 Financial Statements**"), which contain the operating results of the Group for the period from January 1, 2021 to December 31, 2021.*

*As of and for the year ended December 31, 2021, we have also presented below certain unaudited combined financial information prepared on a non-statutory basis, which is calculated by combining (i) unaudited consolidated financial information of AGGL and its subsidiaries for the period from January 1, 2021 to October 10, 2021, derived from the AGGL 2021 Financial Statements, which covers the operating results of the Group for the year ended December 31, 2021 prior to the completion of our Acquisition by TDR Capital on October 11, 2021 and (ii) unaudited consolidated financial information of the Parent and its subsidiaries for the period from October 11, 2021 to December 31, 2021, derived from the Parent 2021 Financial Statements, which covers the operating results of the Group for the year ended December 31, 2021 following the completion of our Acquisition by TDR Capital on October 11, 2021 (the "**Combined 2021 Financial Information**"). We believe that the presentation and discussion of the Combined 2021 Financial Information is meaningful to the reader as it allows the results of operations to be analyzed to comparable periods and represents how management evaluates the business. Although management views these periods on a combined basis for purposes of evaluating operating results, the reader is cautioned that these are considered to be separate periods for financial reporting purposes and they should be evaluated separately as applicable. The Combined 2021 Financial Information excludes the impact of non-cash adjustments to asset and liability valuations that have been recognized directly in the Parent 2021 Financial Information, as required for the Parent's acquisition of the Arrow Global Group under IFRS 3 Business Combinations. Prior to the completion of our Acquisition by TDR Capital, the Parent and its subsidiaries at such time (including the Issuer) had no revenue-generating activities of their own and no business operations, material assets or liabilities other than those acquired or incurred in connection with their incorporation. As a result of fair value accounting applied at the date of the Acquisition required by IFRS, the historical consolidated financial information of Parent and its subsidiaries, as reflected in the Parent 2021 Financial Statements has an accounting basis that is different from the accounting basis of the historical consolidated financial information of AGGL and its subsidiaries. Except as otherwise specified above, the Combined 2021 Financial Information is derived from combined financial statements prepared by applying the accounting policies and presentation that were applied in the preparation of the AGGL 2021 Financial Statements and the Parent 2021 Financial Statements.*

The Combined 2021 Financial Information has not been audited or reviewed in accordance with any generally accepted auditing standards. Any reliance you place on this information should fully take this into consideration.

To aid the comparability of relevant financial results for the year ended December 31, 2021 with subsequent periods, and unless otherwise specified, all historical consolidated income statement and cash flow-related information presented in this Exchange Offer Memorandum for the year ended December 31, 2021 are *derived from the Combined 2021 Financial Information, and all balance sheet-related information presented below as of December 31, 2021 is derived from the Parent 2021 Financial Statements.*

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

Overview

Founded in 2005 by Zachary Lewy, we are a leading European integrated fund manager. Our principal activities are to provide fund and asset management services to third parties and to invest capital across credit, real estate and lending investment strategies.

We operate 22 local platforms in the United Kingdom, Ireland, Spain, Portugal, the Netherlands, Italy and Germany, complementing central teams to provide fund management, asset management and servicing capabilities across Western Europe. While we predominantly fund our investment activity through commitments from Limited Partners, we also invest our own capital in our three investment strategies, primarily via co-investments in our discretionary funds (the "**Funds**"). We plan to continue to grow our earnings as an integrated fund manager, through increased income generated from management fees and performance fees from our Funds, together with stable servicing income derived from our asset management and servicing platforms and less of a dependency on our Balance Sheet segment - a plan which we refer to as our capital-light businesses model. See "*Business—Our Businesses*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model*."

As of September 30, 2024, we had €10.5 billion in funds under management ("**FUM**") and £1,177.4 million in estimated remaining collections over the next 84 months ("**84-month ERC**"). In the nine months ended September 30, 2024, we generated EBITDA from our Integrated Fund Management segment of £52.0 million, Adjusted Free Cash Flows of £192.2 million and deployed €1.25 billion across our Funds.

Our segmental reporting is split between Integrated Fund Management, Balance Sheet and Group. The activities within our Integrated Fund Management segment originate new investment opportunities that our Balance Sheet segment can co-invest into, thereby creating additional opportunities for our asset management and servicing platforms within our Integrated Fund Management segment to service such investments. The model drives increasing capital-light revenue streams, minimizes capital requirements and facilitates de-leveraging.

Our Business Model

As a vertically-integrated fund manager, we operate 22 local platforms operating across seven geographies: the United Kingdom, Ireland, the Netherlands, Portugal, Italy, Spain and Germany. Our localized presence enables us to source and originate investment opportunities, while also having an on-the-ground presence to service the investments. In particular, our local platforms complement our central teams in providing fund management and asset management and services to third party investors and clients across credit, real estate equity and lending. The Group also invests its own capital in these investment strategies, primarily pursuant to co-investment along with our Funds.

Our segmental reporting is split between Integrated Fund Management, Balance Sheet and Group. These three reporting segments present significant synergistic benefits among them. The activities within our Integrated Fund Management segment originate new investment opportunities that our Balance Sheet segment can co-invest into, thereby creating additional opportunities for our asset management and servicing platforms within our Integrated Fund Management segment to service such investments. The model drives increasing capital-light revenue streams, minimizes capital requirements and facilitates de-leveraging.

Having completed our transition from a balance sheet-intensive debt purchaser to an integrated fund manager, growing earnings through increased income generated from management fees and performance fees from our Funds, together with stable servicing income derived from our asset management and servicing platforms and less of a dependency on our Balance Sheet segment – a strategic plan which we refer to as our capital-light businesses model – a change in both our business' revenue structure and the financial characteristics of the Group has resulted (as compared to our historical figures). For example, for the nine-month period ended September 30, 2024, our "capital light" Integrated Fund Management segment contributed 68.4% of our total income, while the Balance Sheet segment contributed 31.6% of our total income. For the year ended December 31, 2023, our

Integrated Fund Management and Balance Sheet segments contributed 67.6% and 39.5% of the total income, respectively.

Pursuant to this shift to an integrated fund manager model, we have recorded in the periods under review:

- an increase in the proportion of revenues and earnings derived from our capital-light business;
- an increase in FUM coupled with a steady reduction in the level of portfolio investments held by our Balance Sheet segment;
- an increase in cash generation, as capital-light revenues grow and less cash is required for re-investment through our own Balance Sheet segment, enabling us to reduce Leverage; and
- higher return on capital invested, driven by reduced use of our own balance sheet to generate returns.

Our business model: Integrated Fund Management segment

Over the past few years, central to our strategy has been our evolution as an integrated fund manager with a capital-light businesses model. This business includes revenue from our fund management activities earned primarily by AGG Capital Management Limited (the Fund Manager which manages all our current Funds) from discretionary allocation and management of third-party capital, as well as asset management, sourcing and servicing operations offered through our network of 22 local platforms. The evolution of our Group as an integrated fund manager has been the key driver for growth within our Group's business and, as such, the level of FUM is an important indicator of the development of the business. During the periods under review, our FUM has grown from €4.5 billion as of December 31, 2021, to €10.5 billion as of September 30, 2024. For the nine months ended September 30, 2024, our Integrated Fund Management segment generated EBITDA of £52.0 million (as compared to £29.1 million for the nine month period ended September 30, 2023), equating to 70.6% of the Group's EBITDA (as compared to 85.0% for the nine month period ended September 30, 2023) for the same period, at an EBITDA Margin of 23.6% (as compared to 18.6% for the nine month period ended September 30, 2023).

Revenue from our core discretionary strategies

Arrow has three core strategies: opportunistic credit, real estate lending and real estate equity, and Arrow has raised discretionary funds from third-party LPs to execute on each. Arrow has three capital-light revenue streams from its core discretionary strategies, being fund management fees, performance fees and servicing fees.

Management fees for our integrated fund management services are normally calculated based on a fixed percentage of the capital drawn from LPs or the value of assets managed rather than the level of committed capital.

For example, management fees on our credit opportunities Funds are generally 1.75% of the net asset value ("**NAV**") of FUM (although larger and first time closing LP investors in the Funds may be charged discounted management fee rates). Certain smaller LPs are charged on committed capital. Given that the life of the ACO I and ACO II Funds is eight years (comprised of a three year investment period coupled with a five year distribution period), with a potential extension to a maximum of ten years, and the life of the AREO I Fund is seven years (comprised of a two year investment period coupled with a five year distribution period), we anticipate that these management fees will provide relatively steady cash flows on the investments made by our existing Funds. As we continue fundraising for new Funds, we expect these management fees to continue to become a significantly larger part of our revenue streams, especially as we seek to continue increasing our FUM and drawn capital reducing the levels of discounts offered and ensuring delivery closer to target management fees.

LP investors also incentivize the Fund Manager through performance-related fees. Performance-related fees are generated based on outperformance over a specified "hurdle" rate, which for our ACO I and ACO II Funds is 7% to 8% return after which the Fund Manager is entitled to a percentage broadly 20% of the returns above that level, with the Group being entitled to approximately 40% of the total performance fees for ACO I and 50% of these fees for ACO II, and the remaining percentage being attributed to management. We expect that the Group share of performance fees for future funds to which the manager of the applicable fund will be entitled to 50%, with the remaining 50% being awarded to management. Earning of performance fees is largely driven by our ability to exceed the performance hurdle for the relevant fund. For accounting recognition purposes, the estimate of performance fees is made with reference to the expected realization profile for the specific fund, which factors in portfolio exits and timeframes, and a constraint is applied to the estimate to reflect uncertainty of future fund performance. Assuming that LP investors receive the target return, we expect to receive our share of the performance fee or carried interest accruing to the general partner, culminating in an indicative performance fee in the amount of approximately €40 million in respect of ACO I (with recognition expected to commence between 2025 and 2026) and €125 million in respect of ACO II (with recognition expected to commence from 2029). Our Funds may not achieve the target returns, and as a result we may not receive any performance fees. This target is indicative and there can be no assurance that we will be able to achieve this target within the planned time frame or at all. See "*Forward-Looking Statements*," "*Risk Factors—Risks relating to our Business, Industry and Regulations—Poor performance by our Funds may adversely affect our management fees and carried interest*" and "*Risk Factors—Risks relating to our Business, Industry and Regulations—This Exchange Offer Memorandum includes forward-looking statements, certain projections, targets and assumptions in forecasts that involve risks and uncertainties*."

In addition, our fund management operations drive asset management and servicing revenues for our platforms, as portfolio purchases by the Funds are typically serviced and administered on our Group's platforms, at market-referenced rates. Approximately 95% of investments purchased by our Funds are serviced by our platforms. These capital-light revenue streams do not incorporate the returns generated within our Balance Sheet segment from the co-investment that we make within our Funds.

During the year ended December 31, 2023, income from our core discretionary strategies was £79 million and for the nine months ended September 30, 2024 was £75 million. Our EBITDA margin and EBITDA for these periods was 43% and 47% and £34 million and £35 million respectively. The revenue generation was driven by NAV of our Funds, with NAV as at December 30, 2022 of €1.4 billion, as at December 30, 2023 of €2.3 billion and as at September 30, 2024 of €3.2 billion.

For the calculation of EBITDA Margin, we excluded non-recurring operational costs incurred in connection with the growth of our business and development of additional Fund capabilities, including costs related to recruitment, which had a negative effect on our portfolio returns amounting to approximately £10 million during the year ended December 30, 2023 and approximately £5 million in the nine months ended September 30, 2024.

Revenue from local and ancillary strategies

In addition to the asset management and servicing revenues that our platforms drive from servicing portfolios acquired by our Funds, our platforms also provide such services to third-parties. Our 22 scalable, asset management and servicing local platforms aggregate granular, proprietary opportunities across multiple geographies and sectors. Income from contracts with our clients is measured based on the consideration specified in a contract with the client. We recognize revenue when we satisfy a performance obligation related to a service we have undertaken to provide to a client, as well as our Balance Sheet segment. In particular, we generate income from the Balance Sheet segment through an intra-segmental charge for servicing, management and collection operations in relation to the investment portfolios under our Balance Sheet segment.

Servicing income makes up the majority of the income under this revenue stream, and in itself comprises a broad range of services, including secured and unsecured collection activity, real estate asset realization, legal title holding, due diligence activities, initial platform migration and on-boarding activities, master servicing, securitization vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management. In all material cases, the services are provided at a point in time that corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognized as and when the services are provided to the client, with no deferral or acceleration of revenue across the life of the contract.

During the year ended December 31, 2023, income from the local and ancillary strategies was £142 million and for the nine months ended September 30, 2024 was £146 million. The EBITDA Margin for both periods was 15%, generating EBITDA of £21 million and £22 million respectively. In addition, throughout 2023, we secured 80 new contract wins and during the nine months ended September 30, 2024, we recorded a further 64 contract wins.

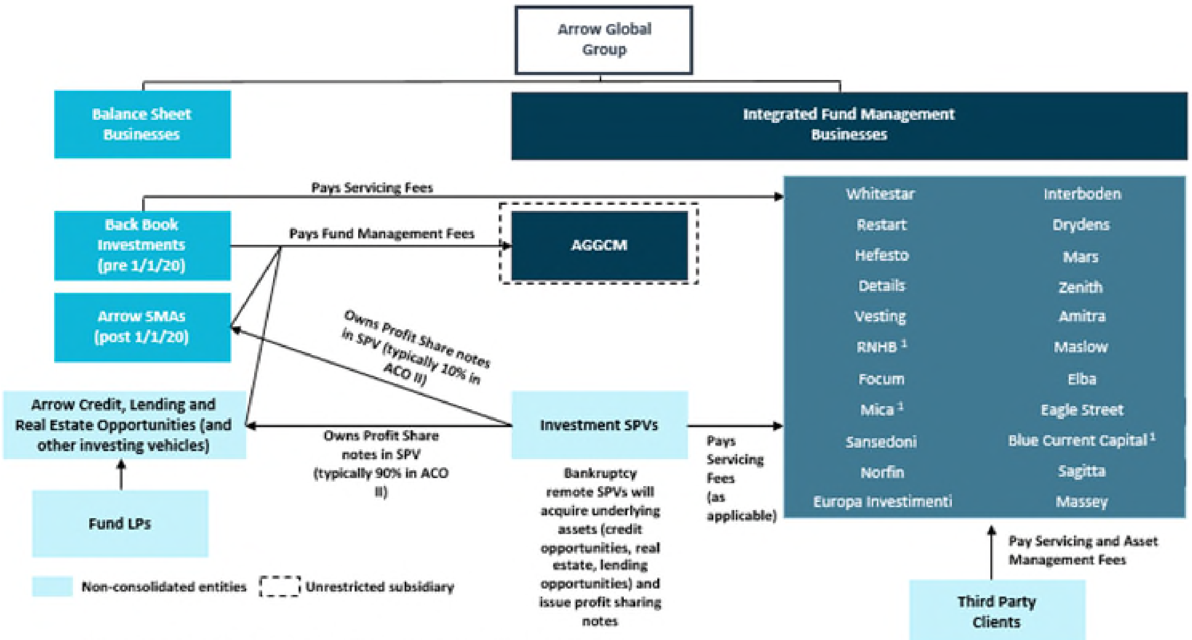
Our Balance Sheet segment

Our Balance Sheet segment comprises the investment portfolios purchased utilizing our own capital, including co-investments in our Funds, and those made directly by us, predominantly comprising of our historic back-book. As part of our evolution into an integrated fund manager business, under our Balance Sheet segment, we now primarily co-invest in our Funds, as this business model drives growth in capital-light earnings and also enables balance sheet de-leveraging. This co-invest model requires lower balance sheet investment volumes than our historic levels, allowing us to reduce Net Debt over the medium term. Our co-investment level is typically 25% of the total portfolio investment under ACO I, a level which we reduced to typically 10% under AREO I and ACO II, thereby further decreasing the capital requirement for the Group. The carrying value of our Group's Existing Portfolios on our balance sheet was £739.8 million as of September 30, 2024, £846.6 million as of December 31, 2023, £774.8 million as of December 31, 2022 and £1,048.8 million as of December 31, 2021. The 84-month ERC of our Group's Existing Portfolios on our balance sheet was £1,177.4 million as of September 30, 2024, £1,213.7 million as of December 31, 2023, £1,545.9 million as of December 31, 2022 and £1,530.3 million as of December 31, 2021.

For the nine month period ended September 30, 2024, the Balance Sheet segment's EBITDA was £46.3 million (as compared to£27.8 million for the nine month period ended September 30, 2023), equating to 62.9% of the Group's EBITDA for the same period (as compared to 81.2% for the nine month period ended September 30, 2023), at an EBITDA Margin of 51.3% (as compared to 41.1% for the nine month period ended September 30, 2023).

Our Structure

The illustrative diagram below shows the synergistic interactions between our integrated fund manager segment and our Balance Sheet segment.



Source: Company information. Note 1: Platforms part owned by Arrow Global.

The Fund Manager of our existing Funds and its subsidiaries will be Unrestricted Subsidiaries under the New Indenture. There are, however, a number of arrangements in place to ensure that approximately 100% of the economics generated by the Fund Manager, including fund management and performance fees, accrue to the Restricted Group. In summary, these are that:

- the Fund Manager pays for services provided to it by members of the Group which are Restricted Subsidiaries. These payments include 100% of designated charges and certain deal costs, as well as approximately 75% of all the management fees that the Fund Manager generates (the 75% of management fees is in line with transfer pricing tax arrangements and reflects the proportion of services that members of the Group deliver in Jersey as compared to other territories);

- Arrow Global Limited holds preferred ordinary shares in the Fund Manager, which entitles Arrow Global Limited to 100% of all dividends distributed by the Fund Manager; and

- Performance fees on ACO I and ACO II are due to be received directly by Restricted Subsidiaries.

As such, although the Fund Manager and its Subsidiaries will be Unrestricted Subsidiaries under the New Indenture and therefore not subject to the restrictions under the New Indenture, and sit outside of the Restricted Group of companies, the distributions on the preferred ordinary shares detailed above and the fees and economics generated by the Fund Manager currently flow to the Restricted Group, with the Fund Manager only retaining sufficient revenue to cover its costs. By way of illustration, approximately 96% of the collections and revenues (i.e., cash collections plus income from our Integrated Fund Management businesses, together with other income which amounted to £570 million) earned during the year ended December 31, 2023 were received directly into the Restricted Group (comprising the Parent and its subsidiaries, other than ACMH, ACML and ACML's subsidiaries), while approximately 4% was received indirectly by the Restricted Group by way of the mechanisms detailed above.

Our Group segment

In connection with our Group segment, we record costs relevant to overall oversight and control of the Group's activities.

Significant Factors Affecting Results of Operations

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

Macroeconomic conditions

Our investment portfolios may generate returns lower than forecast due to adverse macroeconomic conditions, such as inflation, high interest rates, volatility of real estate valuations, decline in consumer confidence, higher energy costs and commodity prices. During a substantial portion of the periods under review, we have experienced a challenging macroeconomic environment, particularly in relation to high rates of inflation resulting in several rounds of interest rate increases in the markets in which we operate, which adversely impacted real estate prices and valuation, consumer demand, borrowing costs and the liquidity of investment portfolios. Adverse macroeconomic conditions can also have an impact on the volume and nature of viable investment opportunities, our ability and that of our Funds to generate collections from investments, whether through payments from customers or the realization from other assets, such as real estate, and on the liquidity of our investments. In particular, a deterioration in the macroeconomic conditions in the jurisdictions that we operate may lead to some or all of the following consequences, as well as other matters that we may be unaware of:

- high interest rates and inflationary macro-economic conditions or other similar factors, may adversely impact the ability of customers to repay their debt, which may in turn, reduce the level of collections and returns from credit opportunities and lending portfolios of the Group and our Funds;

- as we raise funds from investors around the world, adverse changes to the macroeconomic conditions may impact the appetite of such investors to commit capital to our Funds;

- a reduction or weakness in real estate valuation and prices may reduce the value of real estate portfolios of the Group and our Funds, and in addition, delay our ability to sell assets, or reduce the level of collections and returns from credit and lending portfolios secured by real estate assets; and

- impact our ability or the cost of raising funds to support our Balance Sheet segment, under which, we now primarily co-invest in our Funds.

While on the one hand a deterioration in the macroeconomic conditions, such as high interest rates and inflation, may adversely affect our business (as detailed above), such deteriorating macroeconomic conditions may, on the other hand, generate opportunities for our business, by supporting the formation of new non-performing and distressed assets on the balance sheet of banks and other financial counterparties. For example, we expect that in a market environment characterized by high interest rates and refinancing costs, energy market disruptions and other adverse macroeconomic conditions, the weakest borrowers will struggle to refinance their debt burdens. With a significant wall of debt falling due in the near term, such re-financing pressures and increased demand for liquidity are driving localized dislocation across European markets, and as an experienced originator with restructuring and turnaround expertise, we believe this is creating further investment opportunities for our Funds.

Revenue from fund management

Our revenues as a Fund Manager in respect of management fees and performance fees from our Funds, which as detailed under "—*Our Business Model*," accrue directly or indirectly to the Restricted Group. LP investors in the Funds pay, and we expect any future funds will be required to pay, AGG Capital Management Limited, the Fund Manager, management fees predominantly based on the net asset value of funds managed, with a small amount paid on committed capital. The net asset value of managed funds, and relative management fees generated in relation thereto, will depend both upon the pace of deployment as well as the average weighted life of our investments. In addition, LP investors incentivize the Fund Manager through the payment of performance-related fees.

Performance-related fees are recognized by us only where it is highly probable that the revenue will not be reversed in the future. This is generally near the end of the performance period or upon early liquidation of a fund. Performance-related fees will only be crystallized when a performance "hurdle" is met. Since performance fees are predominantly generated on the net asset value, future performance fees will depend on our ability to invest committed capital from the existing Funds and also attract LP investors for new Funds. As of September 30, 2024, we had committed, deployed or begun realization in respect of our ACO I, ACO II and AREO I funds, including both third party investments and our co-investments where applicable, and we have commenced fund raising and deployment in respect of our ALO I and AREO II funds. Our ability to attract new LP investors into ALO I and AREO II funds and other future funds will partly be dependent upon the success of our existing Funds and the fund raising climate generally. Our revenues as a Fund Manager will also depend on the terms that we are willing to offer to LP investors and the terms we are able to negotiate with them, including hurdle rates and the level of management fees we charge.

Furthermore, our asset management and servicing platforms earn income from a broad range of services that are offered to our Funds, to our Balance Sheet segment and to external third parties. These services include secured and unsecured collection activity, real estate asset realization, legal title holding, due diligence activities, initial platform migration and on-boarding activities, securitization vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management. The ability to increase such revenue is driven by our ability to retain existing clients, win new contracts and continue to service the investment portfolios acquired by our Funds. In particular, the increased scale of our FUM represents an important source of new contracts under our asset management and servicing platforms. During 2023, we won 80 new third-party contracts, and during the nine months ending September 30, 2024, we won a further 64 third-party contracts.

Due to the co-invest model, revenues from our Balance Sheet segment are also driven by our continued growth as an integrated fund manager, because, going forward, we intend for our Balance Sheet segment to primarily co-invest along with our Funds in investment portfolios, which can also be serviced by our asset management and servicing platforms. The co-invest model requires lower balance sheet investment volumes than historic levels, which contributes to a faster de-leveraging profile and absolute Net Debt reduction.

Portfolio investments

Our performance is dependent on our ability, and that of our Funds, to purchase investment portfolios, since such portfolios enable us to generate fund management fees, performance fees, asset management and servicing fees and drive revenue through our Balance Sheet segment. There are several factors that influence the level and price at which we or our Funds acquire investment portfolios, with the supply and demand for portfolios influencing the price of such portfolios. The supply of portfolios is partly driven by the volume of debt/portfolios made available by debt originators in the primary markets, together with the level of secondary sales made primarily by closed-end funds. We also source portfolios through bankruptcy and other special situations. However, considering that our business model is characterized by a strong local presence and the ability to provide asset expertise on a granular level, we have been able to develop strong relationships with potential debt sellers/originators, thereby allowing us to maximize our profits and avoid, to the extent possible, acquiring portfolios through competitive auctions processes that often involve lower yields on portfolios. We believe that our increasing drive towards off-market acquisitions leads to better returns and, during the year ended December 31, 2023, based on our calculations on total capital deployed since 2010, 78% of our investment portfolios, and that of our Funds, were acquired through off-market deals. We expect to continue to source the majority of our portfolios through such off-market strategy by relying on our local presence and experienced local operators. Furthermore, our real estate lending origination relies in part on our platforms relationship with brokers and other market participants to source performing, secured loan opportunities.

We believe that with our access to third-party capital through our Funds, we are well placed to continue to invest at scale, which drives numerous benefits including, but not limited to, development of origination capabilities by building on our trusted relationships with Investment Portfolio Sellers and increased access to performance data on customers and portfolios, leading to more accurate underwriting and operational leverage. We also believe that this ability to scale operations, without the liquidity and leverage constraints that impact many competitor debt management businesses, is a significant competitive advantage and enables us to grow our earnings through capital-light revenues rather than through our more capital-intensive Balance Sheet segment.

The supply and demand for investment portfolios influences the price at which we, or our Funds, can acquire portfolios, and therefore our and their return therefrom. The key metric used when assessing return on portfolios is Net Deal IRR (which is calculated for investment portfolios across Group and Fund investments, but excludes third-party co-investments). Actual Net Deal IRR achieved varies depending upon our performance against forecast. Actual Net Deal IRR achieved is based on actual cash collections to date and the remaining ERC, and, as of September 30, 2024, the current overall Net Deal IRR for ACO I was 16% and for ACO II was 20%.

Historically, as part of our Balance Sheet segment, we have held such portfolio investments on our balance sheet, along with the associated income and direct costs of such investments. Given our evolution as integrated fund manager with a capital light business, we now primarily co-invest in our Funds. Over time, we reduced our co-investment level of 25% of the total portfolio investment under ACO I to typically 10% for our subsequent funds, AREO I and ACO II. This ensures continued alignment with limited partner interests, but reduces the capital requirement for the Group, enabling deleveraging and reducing Net Debt over the medium term. Any change in the level of the co-investment in future funds would impact the level of portfolio investments within the Balance Sheet business and therefore, the level of returns and collections. In addition, the ability to co-invest in investment portfolios along with our Funds is dependent on our internally generated cash resources and our access to financing at the time the relevant investment portfolios become available for purchase. As of December 31, 2021, 2022 and 2023, and September 30, 2024, the balance sheet carrying value of our portfolio investments was £1,048.8 million, £774.8 million, £846.6 million and £739.8 million, respectively. During the year ended 31 December 2023, and the nine months ended September 30, 2024, the value of portfolios acquired was £243.2 million and £133.5 million, respectively.

Collection Activity and Fund Management Costs and operational efficiency

Operational efficiency is key to our performance and, as such, controlling costs and ensuring that our platforms are well invested and efficient is important. Our total operating expenses comprise two elements, being Collection Activity and Fund Management Costs, which encompass the direct costs of operations, and secondly, other operating expenses, which encompass the indirect costs of our operations. The most significant direct and indirect costs relate to staff costs with respect to our approximately 1,700 full time equivalent employees. By way of illustration, our total staff costs for the nine months ended September 30, 2024 were £124.6 million which amounted to 52.4% of our total costs for that period.

We closely monitor costs incurred through a number of activities. Our annual budget process requires all cost center owners to agree the costs, both direct and indirect, for their area of responsibility. Any overspending against budgets are reviewed on a monthly basis. Furthermore, we utilize a number of metrics, such as EBITDA Margin and collection costs as a percentage of Balance Sheet Cash Collections, to highlight areas of inefficiency and seek to take action accordingly.

In addition, our central procurement function ensures a consistent approach to third-party supplier management, through our policy that aims to ensure that:

- risks associated with the contracting of third-party suppliers and partners for the provision of business functions or services are understood;

- management of third-party supplier and partner relationships reflect the risks associated with the services being provided;

- there are clear expectations and requirements for the management of third-party supplier relationships before, during and after the contractual period of the supplier relationship;

- roles and responsibilities for managing third party supplier relationships are clearly defined; and

- the best possible commercial agreement is in place with all third-party suppliers.

Our procurement function assists the business in obtaining quotes and undertaking tenders for contracts over specified limits, together with ensuring that any costs are approved prior to being incurred with appropriate approval limits dependent upon the quantum of the costs to be incurred.

In addition, our centralized Human Resources ("**HR**") function seeks to ensure standardized processes, provide control around recruitment and implement training to ensure that we maximize our talent. This ensures the alignment of our bonus schemes and enables pay comparison between our different platforms and businesses.

We have progressively aligned our platforms vertically under a fund management framework with greater accountability of our local operations. Empowering our local platforms with increased local accountability engenders a cost-ownership culture where our operations in different jurisdictions assume control and responsibility for reducing costs incurred by that particular jurisdictional operation, as well as avoiding dual-layer costs from the Group management structures.

Cash collections and Impairment/fair value gains or losses on our portfolio investments

The main driver of our Balance Sheet segment revenue is the performance of cash collections, portfolio sales and put backs on the Group's portfolio investments, including collection on the Group's co-investments in our Funds ("**Balance Sheet Cash Collections**") and a significant driver of our revenue from our asset management and servicing platforms relates to the performance of cash collections by our platform, on behalf of investment portfolios of the Group and the Funds, and that of third-party service clients.

The Group's Existing Portfolios produced Balance Sheet Cash Collections of £298.1 million during the nine months ended September 30, 2024, £375.4 million in 2023, £380.1 million in 2022 and £375.4 million in 2021. The carrying value of our Group's Existing Portfolios on our balance sheet was £739.8 million as of September 30, 2024, £846.6 million as of December 31, 2023, £774.8 million as of December 31, 2022 and £1,048.8 million as of December 31, 2021. The 84-month ERC of our Group's Existing Portfolios on our balance sheet was £1,177.4 million as of September 30, 2024, £1,213.7 million as of December 31, 2023, £1,545.9 million as of December 31, 2022 and £1,530.3 million as of December 31, 2021.

Central to maximizing the collections performance across the Group's and the Funds' investment portfolios are our local platforms, which utilize local knowledge and expertise.

A key driver of the results of our Balance Sheet segment is the ability to collect cash in line with or at levels above the ERC. We closely monitor Balance Sheet Cash Collections on a weekly basis through our Weekly Collection Review meeting, chaired by our CEO and on a monthly basis through our portfolio management activities. In addition to the monitoring of actual Balance Sheet Cash Collections, on at least a biannual basis and, more frequently as required, we perform a review of our Group's investment portfolios to ensure that the ERC remains our best estimate of future collections. For our co-investments in our Funds, the same process is undertaken by the Fund Manager, but the review is undertaken quarterly rather than biannually. Our platforms, working together with our portfolio management teams, also provide updates to the ERC, which incorporate our macro-economic and sector/ geographical views and expectations. The reforecast ERC is then reviewed and approved by the Portfolio Management, Proprietary Investment and Valuations Committee. Along with senior executive management, including the Group CEO and Group CFO, these committee meetings are attended by the Chair of the Audit Committee. See "*Management—Operational Committees*."

Any changes to the reforecast ERC will result in either an impairment/fair value gain, as a result of an increase to the ERC, or an impairment/fair value loss, as a result of a decrease to the ERC. Factors outside of our control, such as macro-economic factors or the COVID-19 pandemic, can cause such gains or losses. For instance, we recognized an impairment and fair value loss of £35.6 million for the year ended December 31, 2023 relating to non-cash adjustments to underlying ERC, driven by the weak macro-economic environment and a relative higher interest rate environment. Other factors, such as the performance of our platforms or other servicers, ineffective litigation, regulatory or legal compliance issues, may also result in portfolio investment gains or losses, which can affect our business performance.

Regulatory considerations

We and our Funds are subject to extensive regulatory and legal requirements at a national, regional and local level, including in Luxembourg, Jersey and each of the seven geographical locations in Western Europe where we have business and operations. As a result, our results of operations are affected by such laws and regulations. In particular, the regulatory environment in the countries in which we operate requires considerable investment in processes, know-how and management. Any changes in the laws and regulations in the jurisdictions in which we operate could constrain our ability to operate. 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 "*Risk Factors—Risks relating to our Business, Industry and Regulations—Our fund managers, AGG Capital Management Limited, Norfin and Sagitta, are subject to various laws, regulations and codes of practice applicable to the fund management industry. Failure to comply with such applicable laws, regulations and codes of practice relating to this industry in the applicable jurisdictions could result in substantial losses, fines and the suspension, termination or impairment of our ability to conduct business*," "*—We are subject to extensive regulatory requirements in European jurisdictions, in which we operate, and failure to comply with such applicable laws, regulations and codes of practice relating to debt purchase, collection and asset management industries in these jurisdictions could result in substantial losses and the suspension, termination or impairment of our ability to conduct business*," "*—Our UK operations are subject to significant oversight by UK regulators that view our operations as "higher risk" activities. Failure to comply with applicable laws, regulations and codes of practice relating to debt purchase, collection and asset management industries in the United Kingdom could result in substantial losses and the suspension, termination or impairment of our ability to conduct business*," "*Regulation and Compliance*" and "*Management—Operational Committees*."

Investment in Systems and Processes

We continue to make investments in our capabilities to support the added complexity and growth of a more diversified business. We continue to invest in our IT infrastructure to ensure that it meets our objectives of flexibility, control, resilience and cost effectiveness. See "*Business—Technology Infrastructure*."

During 2023, we incurred £23.2 million in capital expenditure, being £9.0 million of intangible assets, predominantly relating to IT and software license costs, and £14.2 million of fixed assets, predominantly relating to leased assets. During the nine months ended September 30, 2024, we incurred £15.5 million in capital expenditure, being £10.4 million of intangible assets and £5.1 million of fixed assets. We expect our capital expenditure to remain broadly stable for 2024 and comparable to our historical capital expenditures in 2023. As we continue to grow our business, particularly pursuant to our evolution as an integrated fund management business, we expect that additional costs may be incurred, such as in the development of our new funds system, but we expect that a significant portion of such costs will be re-charged through designated charges to the Funds.

Seasonality

Given our evolution as an integrated fund manager business, our business has become less seasonal, as capital-light revenues tend to be less volatile than revenues from Balance Sheet segment, which can be impacted by impairment gains or losses on the portfolio investments and the timing of portfolio purchases and collections.

We review our ERC on a biannual basis to ensure that the expected Balance Sheet Cash Collections continue to be aligned with our expectations and such review may result in an increase or decrease in our ERC. Any change in the ERC will result in an impairment / fair value gain, where the ERC increases, or an impairment and fair value loss, where the ERC decreases. See "*Management—Operational Committees*."

In addition, the timing of collections from investment portfolios can be uneven during any financial year. As the Group holds or purchases a broad range of portfolios, some of which may comprise a portion or entirety of real estate assets, the collection on such portfolios may be realized only when the asset is sold. In some circumstances, the collection will be maximized by incurring capital expenditure before sale and therefore the time to realize collections can be uncertain. Within our real estate lending fund, ALO, the realization is usually when the loan is repaid. Furthermore, certain portfolios may have an uneven collections profile. See "*Risk Factors—Risks relating to our Business, Industry and Regulations—Uneven portfolio supply patterns may prevent us or our Funds from pursuing all of the purchase opportunities we would like to, and may result in us experiencing uneven cash flows and financial results*."

Furthermore, purchases of investment portfolios by the Group or by our Funds are likely to be uneven during a financial year due to fluctuating supply and demand within the market, with a corresponding impact on leverage and earnings. We typically purchase more investment portfolios in terms of purchase price in the fourth quarter (when Investment Portfolio Sellers (financial institutions in particular) aim to sell assets before their year-end) compared to each of the first three quarters. However, we aim to purchase a particular amount of investment portfolios annually and, during some financial years, we may purchase a higher or lower proportion of our targeted purchases earlier in the year. See "*Risk Factors—Risks relating to our Business, Industry and*

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

As a result of one or all of the factors noted above, the results and performance of our businesses may fluctuate due to such seasonal matters and may differ from our expectations.

Acquisitions and Dispositions

During the period under review, our results of our operations were impacted by the acquisitions and dispositions made during that period. See "*Business—Our History and Development*." As part of our expansion of our platform capabilities, from time to time, we consider acquisitions that we believe offer a strategic opportunity to accelerate our growth and that will generate high returns on investment. We also enter into certain other arrangements, such as partnerships, in connection with certain portfolio acquisitions and certain origination and servicing arrangements. In addition, we enter into disposition transactions from time to time. For instance, in June 2023, to align with our strategic transition to an integrated fund manager model, we divested from the Capquest group, an established participant in the UK debt purchase and outsourced collections market, initially acquired by us in November 2014, and sold 50% of our wholly owned unsecured back book in the United Kingdom. See "*Risk Factors—Risks relating to our Business, Industry and Regulations—We may make acquisitions or pursue joint ventures, business combinations or other investments that prove unsuccessful or strain or divert our resources.*"

Factors Impacting Comparability

Our evolution as an integrated fund manager business

Since 2019, we have evolved from a multi-asset class and multi-geographical debt purchaser and servicer with small fund management operations, to a leading integrated fund manager in credit, real estate lending and real estate equity with a Western European footprint comprising 22 local platforms and operations across seven geographies. Our business model has evolved to focus on generating higher levels of capital-light revenue from our integrated fund manager operations as compared to revenue from our Balance Sheet segment. As a result, our business model is a comparatively less capital-intensive model than many other businesses that operate in the traditional credit management sector.

During the periods under review, EBITDA from our Integrated Fund Management segment (which consists of revenue from our fund management operations as well as our asset management, sourcing and servicing platforms) increased from £22.1 million during the year ended December 31, 2021, to £44.7 million during the year ended December 31, 2023 and £52.0 million during the nine months ended September 30, 2024. In addition, during the period under review, our total income from our Integrated Fund Management segment increased from 39.8% of our total income during the year ended December 31, 2021 (which, prior to our re-organization of segmental reporting beginning the financial year 2022, consisted of the sum of our income from the asset management and servicing business segment and fund and investment management business segment), to 67.6% during the year ended December 31, 2023 and 68.4% during the nine months ended September 30, 2024.

In addition, there are intangible benefits from the investment at scale that our Integrated Fund Management model drives. We believe that being able to invest at scale allows us to build origination capability through broadening and deepening relationships with Investment Portfolio Sellers and extending our reach to source off-market deals. In turn, the increased level of portfolios purchased enriches and builds our data and data analytical capabilities, leading to increased accuracy of underwriting and pricing portfolios. The increased scale contributes to achieving operational leverage within our platforms in our Integrated Fund Management business, allowing for stronger returns. Strong returns build our capital-light earnings, enable deleveraging and increase the appetite from LP investors to commit financing to our future funds, enabling the growth of our Fund Manager with the ability to further increase the scale of our businesses.

The above changes to our business model and strategy have had and we expect will continue to have an impact on the results of our operations, and as such, the results of operations and cash flows for each of the periods under review and the future periods may not be comparable. See "*—Significant Factors Affecting Results of Operations—Revenue from fund management*."

Segment Reporting

In line with our strategy to evolve as an Integrated Fund Management business with a capital light model, beginning with the year ended December 31, 2022, we modified our segmental reporting structure to present the following segments: (i) Integrated Fund Management, (ii) Balance Sheet and (iii) the Group. Prior to the year ended December 31, 2022, we reported our segmental reporting structure as: fund and investment management business, Balance Sheet business, asset management and servicing business and Group functions. As a result, the financial information with respect to our segments presented in our audited consolidated financial statements for the years ended December 31, 2022 and December 31, 2023, and consolidated financial statements for the nine months ended September 30, 2024, may not be comparable to the financial information presented for the year ended December 31, 2021.

Our three reporting segments are further discussed below:

- *Integrated Fund Management:* Our Integrated Fund Management segment invests third-party committed capital on behalf of our clients and includes the management of our flagship discretionary closed-end funds, which include ACO I, ACO II and AREO I. This segment includes the results of our asset management, sourcing and servicing operations, through our various local platforms;

- *Balance Sheet*: Our Balance Sheet segment invests our own capital. Since the deployment of our inaugural ACO I Fund in 2019, our investments are typically made by way of a co-investment in our Funds. The Balance Sheet segment also incorporates the financial performance of the historical back book portfolio investments made prior to the launch of ACO I; and

- *Group*: Our Group segment records costs relevant to overall oversight and control of the Group's activities.

Combined 2021 Financial Information

TDR Capital completed the Acquisition of our Group on October 11, 2021. Prior to our Acquisition, we reported our financial results, and prepared our audited consolidated financial statements at the level of AGGL and its subsidiaries. Following the completion of our Acquisition, and effective from October 11, 2021, we changed our consolidation perimeter from AGGL to the Parent, and commenced reporting our financial results, and preparing our audited consolidated financial statements at the level of the Parent and its subsidiaries. However, the Parent 2021 Financial Statements contain the operating results of the Group from October 11, 2021 only. In addition, prior to October 11, 2021, the Parent and its then subsidiaries (which includes the Issuer) had no revenue-generating activities and no business operations, material assets or liabilities other than assets and liabilities acquired or incurred in connection with their incorporation. As a result, we have included elsewhere in this Exchange Offer Memorandum the AGGL 2021 Financial Statements, as well as the Parent 2021 Financial Statements.

In addition to the AGGL 2021 Financial Statements and the Parent 2021 Financial Statements, as of and for the year ended December 31, 2021 we have presented in this Exchange Offer Memorandum the Combined 2021 Financial Information, which is prepared on a non-IFRS basis calculated by combining (i) unaudited consolidated financial information of AGGL and its subsidiaries for the period from January 1, 2021 to October 10, 2021, derived from the AGGL 2021 Financial Statements, which covers the operating results of the Group for the year ended December 31, 2021 prior to the completion of our Acquisition by TDR Capital on October 11, 2021 and (ii) unaudited consolidated financial information of the Parent and its subsidiaries for the period from October 11, 2021 to December 31, 2021, derived from the Parent 2021 Financial Statements, which covers the operating results of the Group for the year ended December 31, 2021 following the completion of our Acquisition by TDR Capital on October 11, 2021. See *"Presentation of Financial and Other Information."*

Description of Key Performance Metrics

Profit before and after tax, EBITDA and EBITDA Margin and segmental profit before tax, EBITDA and EBITDA Margin

Profit before tax, together with EBITDA and EBITDA Margin, are measures of our performance and we report our profit before tax, EBITDA and EBITDA Margin split by each business. The segmental reporting of profit before tax, EBITDA and EBITDA Margin assist with understanding how each of our businesses is performing and includes an allocation of indirect operating costs. We use this segmental reporting, prepared on a monthly basis and included within our management accounts, to monitor the performance of each of our businesses through our Operational Performance and Investment Management Committees and the Board. See "*Management—Operational Committees*." Given that the reorganization of our reporting segments in line with our evolution as integrated fund manager business came into effect from 2022 onwards, the full year positions for

2022 and 2023, and the interim positions for the periods ended September 30, 2023 and 2024, split for each business segment, are shown below.

2022 Segmental Reporting	Integrated Fund Management	Balance Sheet	Group	Intra-segment elimination	Adjusting items(1)	Total excluding adjusting items	Total including adjusting items
				(£'000s)			
Total income	207,274	135,723	6	(50,831)	3,600	292,172	295,772
Collection activity and fund management costs	(89,806)	(81,726)	(283)	50,831	(8,523)	(120,984)	(129,507)
Gross Margin	**117,468**	**53,997**	**(277)**	—	**(4,923)**	**171,188**	**166,265**
Gross Margin %	*56.7%*	*39.8%*				*58.6%*	*56.2%*
Loss on reclassification to held for sale	—	—	—	—	(21,342)	—	(21,342)
Other operating expenses excluding depreciation, amortization and forex	(77,763)	—	(24,366)	—	(6,261)	(102,129)	(108,390)
EBITDA	**39,705**	**53,997**	**(24,643)**	—	**(32,526)**	**69,059**	**36,533**
EBITDA Margin %	*19.2%*	*39.8%*		—		*23.6%*	*12.4%*
Depreciation and amortization	(8,814)	—	(2,113)	—	(12,203)	(10,927)	(23,130)
Foreign exchange translation loss	—	—	(10,794)	—	—	(10,794)	(10,794)
Operating profit/(loss)	**30,891**	**53,997**	**(37,550)**	—	**(44,729)**	**47,338**	**2,609**
Derivative fair value movements	—	—	—	—	(4,834)	—	(4,834)
Net finance costs	—	—	(82,432)	—	(717)	(82,432)	(83,149)
Share of profit in associate	1,684	—	—	—	—	1,684	1,684
Profit/(loss) before tax and adjusting items	**32,575**	**53,997**	**(119,982)**	—	**(50,280)**	**(33,410)**	**(83,690)**
					Allocate adjusting items	*(50,280)*	—
					Loss before tax including adjusting items	*(83,690)*	*(83,690)*

(1) Adjusting items are due to the divestment of the Capquest and Mars Capital UK platforms to Intrum UK, and non-cash acquisition intangible and fair value accounting unwinds associated with the Acquisition, which was completed on October 11, 2021.

2023 Segmental Reporting	Integrated Fund Management	Balance Sheet	Group	Intra-segment elimination	Adjusting items(1)	Total excluding adjusting items	Total including adjusting items
				(£'000s)			
Total income	220,917	86,904	21	(39,455)	19,043	268,387	287,430
Collection activity and fund management costs	(97,038)	(57,032)	(113)	39,455	(15,693)	(114,728)	(130,421)
Gross Margin	**123,879**	**29,872**	**(92)**	—	**3,350**	**153,659**	**157,009**
Gross Margin %	*56.1%*	*34.4%*				*57.3%*	*54.6%*
Other operating expenses excluding depreciation, amortization and forex	(79,166)	(3,700)	(32,059)	—	(58,537)	(114,925)	(173,462)
EBITDA	**44,713**	**26,172**	**(32,151)**	—	**(55,187)**	**38,734**	**(16,453)**
EBITDA Margin %	*20.2%*	*30.1%*				*14.4%*	*(5.7)%*
Depreciation and amortization	(7,861)	—	(2,213)	—	(15,008)	(10,074)	(25,082)
Foreign exchange translation gain	—	—	4,016	—	—	4,016	4,016
Operating profit/(loss)	**36,852**	**26,172**	**(30,348)**	—	**(70,195)**	**32,676**	**(37,519)**
Derivative fair value movements	—	—	—	—	12,018	—	12,018
Net finance costs	—	—	(102,825)	—	(111)	(102,825)	(102,936)
Share of profit in associate	3,089	—	—	—	—	3,089	3,089
Profit/(loss) before tax and adjusting items	**39,941**	**26,172**	**(133,173)**	—	**(58,288)**	**(67,060)**	**(125,348)**

(1) The loss before tax of £125.3 million for the year ended December 31, 2023, includes £58,288,000 of net adjusting costs relating to the acquisition of Maslow, the Acquisition accounting unwinds and the divestment of the non-core UK platforms.

September 2023 Segmental Reporting	Integrated Fund Management	Balance Sheet	Group	Intra-segment elimination	Adjusting items(1)	Total excluding adjusting items	Total including adjusting items
			(£'000s)				
Total income	156,622	67,700	20	(28,479)	20,324	195,863	216,187
Collection activity and fund management costs	(70,723)	(39,869)	(77)	28,479	(15,693)	(82,190)	(97,883)
Gross Margin	**85,899**	**27,831**	**(57)**	—	**4,631**	**113,673**	**118,304**
Gross Margin %	*54.8%*	*41.1%*				*58.0%*	*54.7%*

September 2023 Segmental Reporting	Integrated Fund Management	Balance Sheet	Group	Intra-segment elimination	Adjusting items[(1)]	Total excluding adjusting items	Total including adjusting items
			(£'000s)				
Other operating expenses excluding depreciation, amortization and forex	(56,792)	—	(22,625)	—	(48,797)	(79,417)	(128,214)
EBITDA	**29,107**	**27,831**	**(22,682)**	—	**(44,166)**	**34,256**	**(9,910)**
EBITDA Margin %	*18.6%*	*41.1%*				*17.5%*	*(4.6)%*
Depreciation and amortization	(6,147)	—	(1,496)	—	(10,892)	(7,643)	(18,535)
Foreign exchange translation gain	—	—	3,900	—	—	3,900	3,900
Operating profit/(loss)	**22,960**	**27,831**	**(20,278)**	—	**(55,058)**	**30,513**	**(24,545)**
Derivative fair value movements	—	—	—	—	12,018	—	12,018
Net finance costs	—	—	(75,827)	—	(1,160)	(75,827)	(76,987)
Share of profit in associate	3,089	—	—	—	—	3,089	3,089
Profit/(loss) before tax	**26,049**	**27,831**	**(96,105)**	—	**(44,200)**	**(42,225)**	**(86,425)**
					Allocate adjusting items	*(44,200)*	—
					Loss before tax including adjusting items	*(86,425)*	*(86,425)*

(1) The loss before tax of £86.4 million for the year ended December 31, 2023, includes £44,200,000 of net adjusting costs relating to the acquisition of Maslow, the Acquisition accounting unwinds and the divestment of the non-core UK platforms.

September 2024 Segmental Reporting	Integrated Fund Management	Balance Sheet	Group	Intra-segment elimination	Adjusting items[(1)]	Total excluding adjusting items	Total including adjusting items
				(£'000s)			
Total income	220,530	90,170	10	(25,571)	(3,335)	285,139	281,804
Collection activity and fund management costs	(81,332)	(40,859)	(174)	25,571	-	(96.794)	(96.794)
Gross Margin	139,198	49,311	(164)	–	(3,335)	188,345	185,010
Gross Margin %	63.10%	54.70%	–	–	–	66.10%	65.70%
Other operating expenses excluding depreciation, amortization and forex	(87,234)	(3,028)	(24,476)	–	(7,181)	(114,738)	(121,919)
EBITDA	**51,964**	**46,283**	**(24,640)**	**–**	**(10,516)**	**73,607**	**63,091**
EBITDA Margin %	23.60%	51.30%				25.80%	22.40%
Depreciation and amortization	(6,416)	–	(2,052)	–	(18,381)	(8,468)	(26,849)
Foreign exchange translation gain	–	–	7,652	–		7,652	7,652
Operating profit/(loss)	**45,548**	**46,283**	**(19,040)**	**–**	**(28,897)**	**72,791**	**43,894**
Derivative fair value movements	–	–	–	–	–	–	–
Net finance costs	–	–	(80,210)	–	(146)	(80,210)	(80,356)
Share of profit in associate	–	–		–	–	–	–
Profit/(loss) before tax and adjusting items	**45,548**	**46,283**	**(99,250)**	**–**	**(29,043)**	**(7,419)**	**(36,462)**

The level of taxation incurred by the business predominantly reflects the underlying corporation tax rates in the jurisdiction where profits are generated. The Effective Tax Rate ("**ETR**") is measured as the tax charge divided by the loss or profit before tax. For 2021, 2022 and 2023, the ETR was 3.5%, 1.7% and negative 0.1%, respectively, and, after deducting the tax, the business reports and monitors its profit after tax.

Adjusted EBITDA

Adjusted EBITDA represents our earnings before interest, tax, depreciation and amortization (including the amortization of portfolio investments), adjusted for any non-cash income, expense items and adjusting items. Adjusted EBITDA is an approximate measure of the underlying cash EBITDA of the Group.

The Leverage of the Group represents the ratio of Secured Net Debt to Adjusted EBITDA. This makes the Adjusted EBITDA figure a key component of this metric. In addition, our businesses focus on cash collections and therefore, Adjusted EBITDA provides an important metric to understand the cash generation of our business. Adjusted EBITDA was £260.8 million, £315.4 million, £331.9 million, £261.2 million and £282.5 million for the years ended December 31, 2021, 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. Further, Adjusted EBITDA for the twelve months ended September 30, 2024 was £353.2 million.

For a reconciliation of Adjusted EBITDA to net cash flow and to Balance Sheet Cash Collections, see "*Summary Historical Consolidated Financial and Other Information—Other Financial Data*."

Adjusted Free Cash Flow

Adjusted Free Cash Flow represents current cash generation on a sustainable basis and is calculated as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid and amounts paid for the purchase of property, plant and equipment and purchase of intangible assets. Adjusted Free Cash Flow provides a measure of how much cash we generate across the reporting period which we can use on a discretionary basis to reinvest in portfolio investments, repay debt or pay dividends. Adjusted Free Cash Flow was £182.1 million, £213.7 million, £199.7 million, £181.8 million and £192.2 million for the years ended December 31, 2021, 2022, 2023 and the nine months ended September 30, 2023 and 2024 respectively.

For a reconciliation of Adjusted Free Cash Flow to net cash flow, see "*Summary Historical Consolidated Financial and Other Information—Other Financial Data*."

Capital-light businesses' percentage of EBITDA

Central to our strategy is our evolution as a capital-light Integrated Fund Management business, which includes the results of our fund management activity, as well as asset management, sourcing and servicing activities through our local platforms. As demonstrated by our results of operations for the periods under review, we believe that our Integrated Fund Management businesses will lead to more stable revenues, higher returns on capital employed and deleveraging.

With the growth of our capital-light businesses, EBITDA of our Integrated Fund Management segment, as a percentage of total EBITDA, has grown from 18.7% for the year ended December 31, 2021 to 70.6% for the nine months ended September 30, 2024. The increase in our capital-light businesses' percentage of EBITDA since 2021 primarily reflects our investment in the fund management infrastructure which has generated higher income as FUM continues to grow, which in turn facilitates greater operational leverage as we continue to scale our business.

FUM, Net Asset Value (NAV) and Fund Deployment

Our evolution as an integrated fund manager has been a key driver for our growth and, as such, the level of FUM is an important indicator of the development of our business. Since management fees are generated on the capital invested in portfolio purchases and other assets by the Fund Manager on behalf of LP investors, FUM is a key metric in assessing the delivery against our plans. As of December 31, 2021, December 31, 2022 and December 31, 2023, our FUM was €4.5 billion, €6.2 billion and €9.3 billion, respectively, and as of September 30, 2024, our FUM was €10.5 billion.

To continue to grow our FUM, we continue to deploy capital from each of our existing Funds. ACO I is fully deployed, ACO II is approximately 75% deployed and AREO I is approximately 70% deployed, which we believe puts us in a good position to raise capital for future funds, including subsequent funds under our credit investment strategy. We are aiming towards increasing our FUM by approximately 50% over a 2-3 year period, driven primarily by fundraising for our ACO III Fund, which we currently expect to commence in 2025, and are targeting FUM of approximately €15 billion in the medium term. This target is indicative and there can be no assurance that we will be able to achieve this target within the planned time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks relating to our Business, Industry and Regulations—This Exchange Offer Memorandum includes forward-looking statements, certain projections, targets and assumptions in forecasts that involve risks and uncertainties.*"

The scaling of investment capabilities has driven the growth in deployment of an aggregate 45% of our existing Funds (ACO I, ACO II and AREO I) to €1.2 billion during the year ended December 31, 2023 (as compared to €0.8 billion for the year ended December 31, 2022). Deployment for the nine months ended September 30, 2024 increased further to €1.25 billion, an annualized equivalent of €1.7 billion. We have continued to focus on off-market acquisitions, with over 80% of ACO II investments based on total capital deployed being off-market with a focus on performing, real estate and cash in court portfolios. Over 90% of the net asset value of ACO I and ACO II is secured by real estate or cash in court and is built from highly granular deployment, with over 400 individual investments.

Deployment leads to increasing NAV of the Funds, which drives the growth in capital-light income from management fees, asset management and servicing fees and performance fees from our discretionary strategies. As at September 30, 2024, the NAV of our Funds was €3.2 billion.

Net Deal IRR and Portfolio Investments by the Group

We believe that the appetite of LP investors to invest in subsequent funds will be driven by the risk profile and returns generated on previous funds. As such, Net Deal IRR is a key metric in assessing the returns that will ultimately be generated for LP investors, and also in respect of co-investments made by the Group along with the Funds, driving the revenues of our Balance Sheet segment.

Net Deal IRR represents the internal rate of return, based on gross collections after direct collection costs (including any margin for the servicer), but before pre-management fees, performance fees and other Fund level costs. Net Deal IRR is calculated using the actual collections to date and the latest ERC, which together represent the entire actual and expected future Cash Collections on an investment portfolio. As of September 30, 2024, the Net Deal IRR in respect of ACO I was 16%, and in respect of ACO II was 20%.

Additionally, along with Net Deal IRR, the level of portfolio purchases by our Group (which have predominantly been in the form of co-investments in our Funds and made by various separately managed account funds on behalf of Arrow (each, an "**Arrow SMA**"), since the beginning of January 2020 when our inaugural Fund ACO I commenced deployment, continues to drive the revenue of our Balance Sheet segment. Investment portfolios purchased during the years ended December 31, 2021, December 31, 2022, December 31, 2023 and the nine months ended September 30, 2023 and September 30, 2024 were £189.7 million (recorded in the AGGL 2021 Financial Statements), £175.7 million, £243.2 million, £206.0 million and £133.5 million, respectively. The decrease in the level of total purchases in 2023 compared to 2022 and in the first nine months of 2024 compared to the first nine months of 2023, reflect our continued transition to our integrated asset manager model, with purchases being made by the relevant Arrow SMA as a co-investment alongside the Funds we manage. Under our inaugural fund ACO I, the co-investment is typically 25%, which we reduced under subsequent Funds to typically 10%.

84-month and 120-month ERC

ERC represents the estimated remaining Balance Sheet Cash Collections on our portfolios (including co-investments) and is measured over both an 84-month and 120-month period. Under our Balance Sheet segment, and as part of our historic back book, we have acquired a broad range of portfolios, including, but not limited to, unsecured consumer loans, such as defaulted or non-performing credit card or personal loan debt, secured consumer loans, such as defaulted residential mortgage debt, defaulted commercial loans, such as defaulted commercial mortgage debt and unsecured commercial loans in bankruptcy where the recovery may be realization of business assets, cash in court, tax credits and real estate, and real estate loans, such as bridge mortgages, development mortgages and medium-term stabilized mortgages in the "living" sector. The ERC in relation to our co-investments in our Funds is reported net of servicing costs, given that the collections received by the Group are after servicing fees have been deducted. The proportion of the 84-month ERC relating to our co-investments in our Funds, and hence reported net of servicing fees, was 68.9% as at September 30, 2024 and 66.8% as at December 31, 2023.

The 84-month ERC of our Existing Portfolios on our balance sheet was £1,177.4 million as of September 30, 2024, £1,214.0 million as of December 31, 2023, £1,546.0 million as of December 31, 2022 and £1,530.3 million as of December 31, 2021. As at September 30, 2024, 23% of our 84-month ERC represented unsecured portfolios and 77% represented secured portfolios. The 120-month ERC of our Existing Portfolios on our balance sheet was £1,254.6 million as of September 30, 2024, £1,309.9 million as of December 31, 2023, £1,714.3 million as of December 31, 2022 and £1,685.0 million as of December 31, 2021. Further, the 120-month ERC suggests approximately £1 billion cash flow prior to the maturity of the Exchange Notes in 2029.

The ERC in relation to our co-investment within our Funds represents the collections received by the Arrow SMAs. See "*—Our Structure*." Such collections are reported within our ERC after or net of servicing costs.

Leverage

Leverage is measured as Secured Net Debt divided by Adjusted EBITDA and is a key balance sheet metric. For the twelve months ended September 30, 2024, our leverage was 3.6 times compared to 3.9 times as of December 31, 2023, 4.1 times as of December 31, 2022 and 4.8 times as of December 31, 2021.

Having completed the transition to becoming an integrated fund manager business, we aim towards further reducing our Leverage to 3.0 times. This target is indicative and there can be no assurance that we will be able to achieve this target within the planned time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks relating to our Business, Industry and Regulations—This Exchange Offer Memorandum includes forward-looking statements, certain projections, targets and assumptions in forecasts that involve risks and uncertainties.*" We believe that our shift to an integrated asset manager model has demonstrated our ability to increase our earnings through the growth in our capital-light businesses, without the need to grow our balance sheet. We believe that this will continue to lead to our ability to reduce our Leverage and Net Debt and, thereby, improve our financial profile.

Description of Key Balance Sheet Statement Items

Portfolio investments

The primary assets held on our balance sheet are our investments in portfolios. The following table sets forth details relating to our portfolio investments at the dates indicated.

	As of December 31,			As of September 30,	
	2021≠	**2022**	**2023**	**2023**	**2024**
		(£'000)		*(£'000)*	
Portfolio investments – amortized cost[(1)]	704,944	392,182	323,827	362,450	260,770
Portfolio investments – FVTPL	302,808	331,199	380,977	367,919	383,603
Portfolio investments – real estate inventories	41,029	51,463	54,588	61,578	13,958
Portfolio investments – joint venture	—	—	87,253	88,154	81,514
Total portfolio investments	**1,048,781**	**774,844**	**846,645**	**880,101**	**739,845**
Total portfolio investments as a % of total assets	47.6%	35.9%	43.4%	44.6%	39.9%

≠ Derived from Parent 2021 Financial Statements. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

(1) Excludes held for sale assets of £249.0 million in respect of the Capquest and Mars UK platforms as at 31 December 2022.

Portfolio investments held directly on our balance sheet are typically accounted for under amortized cost, since the portfolio is deemed to be held within a "business model" whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("**SPPI**"). The Group's co-investment in our Funds is deemed to be held in a different 'business model' other than "hold to collect," as these portfolio investments are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the "business model" of these portfolios is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell the Portfolio Assets and our co-investment in our Funds and other co-investment portfolios purchased alongside other third-parties are classified as fair value through profit or loss ("**FVTPL**").

As part of our investment activities, we sometimes acquire real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow a period of time where capital expenditure is being applied to the asset, such investments fall within the scope of IAS 2 – Inventories. In line with IAS 2, all assets classified as inventories are held at initial cost, plus any subsequent cost of capital expenditure. Such assets are held at the lower of cost and net realizable value, but apart from this, no gain or loss will be recognized on the value of the assets until the point at which they are sold, or partially sold.

Initially, portfolio investments measured at amortized cost are held at the purchase price less any transaction fees. The effective interest rate ("**EIR**") for these portfolios is calculated using the 84-month ERC at underwriting. Revenue is calculated using the EIR method. On a biannual basis at June and December each year, we update the 84-month ERC and the output is reviewed by the Portfolio Management, Proprietary Investment and Valuations Committee (chaired by the Group CFO), who consider any indicators of increases or decreases to our ERC. Where loan portfolios exhibit objective evidence of impairment, typically as the actual collections during the period and remaining 84-month ERC is less than the 84-month ERC at the start of the period, an impairment loss is required to be recognized and we record an adjustment to the carrying value of the loan portfolio. If the forecast loan portfolio collections exceed initial estimates, typically as the actual collections during the period and remaining 84-month ERC is greater than the 84-month ERC at the start of the period, we record an adjustment to increase the carrying value of the loan portfolio. In accordance with IFRS 9, we recognize any change in carrying value in the statement of profit or loss. See "*—Key accounting policies, judgements and assumptions and estimates—Key accounting policies*."

For investment portfolios – FVTPL, the process is similar with a few notable exceptions. Firstly, the initial costs of the acquisition, such as due diligence costs, are written-off to the profit and loss statement as incurred. Second, the EIR is calculated using the lifetime ERC rather than the 84-month ERC and whilst the EIR for an amortized cost portfolio will remain the same throughout the life of the transaction, under FVTPL, the EIR is adjusted for changes in market rates. As such, investment portfolios – FVTPL are effectively held at their fair value through the life of the transaction. The ERC in relation to our co-investment within our Funds represents collections received by the Arrow SMAs. See "*—Our Structure.*" Such collections are reported within our ERC after or net of servicing costs.

Goodwill

Goodwill on the balance sheet as at December 31, 2023 was £745.1 million, relating to the acquisitions made by the Group. See "*Business—Our History and Development*." See "*—Key accounting policies, judgements and assumptions and estimates—Key accounting policies*." For accounting purposes, the goodwill is allocated, at acquisition, to a Cash Generating Unit ("**CGU**"). We have identified two CGUs: (i) Integrated Fund Management, comprising all of the Group's debt management operations on behalf of the Group, discretionary funds and other third parties and (ii) the Balance Sheet segment, comprising the Group's owned portfolio investment business.

In 2022, the Group changed its assessment of CGUs in the year reflecting how the Group's utilization of its assets and operations to generate revenues has changed over time. In October 2021, the Group was acquired by TDR Capital. Following the Acquisition, the Group strategically re-positioned itself as a platform led, vertically integrated fund management business. As a result, alignment of the Group's platforms and its investment business on a geography basis no longer adequately represented how the Group makes returns. The vertically-integrated model means that the platforms work collectively to derive returns across geographies and individual platform cash in-flows are not substantially derived separately from other platforms. With the strategic repositioning and the move towards a capital-light model, the Balance Sheet segment is no longer the primary focus of our platforms. Following the change in CGUs, goodwill has been reallocated on a relative value basis using value in use calculations for each of the revised CGUs. This has resulted in £745.1 million of the goodwill being allocated to the Integrated Fund Management CGU.

On an annual basis, an impairment review is carried out, using cash flow forecasts and an appropriate weighted average cost of capital. As at December 31, 2023, an impairment review was undertaken and we concluded that there was no impairment of goodwill.

Description of Key Statement of Profit or Loss and Other Items

Total Income

A summary of our total income by type and period is set out below:

	For the year ended December 31,			For the nine months ended September 30,	
	2021≠	**2022**	**2023**	**2023**	**2024**
		(£'000)		*(£'000)*	
Income from portfolio investments at amortized cost	132,758	97,812	55,462	41,621	33,879
Fair value gains on portfolio investments at FVTPL	62,451	21,351	32,433	25,180	40,564
Impairment gains/(losses) on portfolio investments at amortized cost	17,508	9,130	(16,883)	(7,198)	1,404
Income/(loss) from real estate inventories	1,963	2,072	2,403	(79)	2,066
Share of profit in portfolio joint venture	—	—	7,266	3,274	8,922
Total income from portfolio investments	**214,680**	**130,365**	**80,681**	**62,798**	**86,835**
Integrated fund and asset management income	116,477	162,323	193,626	140,405	193,309
Profit on disposal of held for sale assets and liabilities	—	—	11,944	11,944	—
Gain on disposal of subsidiary	—	2,121	—	—	—
Other income	98	963	1,179	1,040	1,660
Total income	**331,255**	**295,772**	**287,430**	**216,187**	**281,804**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

Income from portfolio investments at amortized cost

We recognize revenue from portfolio investments in accordance with IFRS 9 using the EIR method. The EIR is defined as the portfolio's IRR based on the portfolio purchase price and forecast 84-Month ERC as of the date of purchase for portfolios held at amortized cost. The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, such as legal and due diligence fees.

We reassess and adjust the EIR up to twelve months after the purchase of each loan portfolio to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on income from portfolio investments.

Income from portfolio investments at amortized cost is then calculated by multiplying the carrying value of each loan portfolio as of the beginning of the period by the EIR.

Fair value gains on portfolio investments at FVTPL

For the portfolios held at an amortized cost, the total returns from the portfolio include the interest income, reported through Income from portfolio investments at amortized cost, together with changes arising from Balance Sheet Cash Collections being different from the ERC and also from changes to our ERC, which are reported through the impairment gains/(losses) on portfolio investments. For portfolios held at FVTPL, the fair value gains on portfolio investments at FVTPL represents all of the income and expenses relating to our portfolio investments which are classified as FVTPL. The line item includes fair value changes, interest and dividends.

As such, the fair value gains on portfolio investments at FVTPL on a portfolio will represent the change in the carrying value of the portfolio, together with the actual Balance Sheet Cash Collections on the portfolio. The carrying value is assessed based on the ERC at the period-end, discounted at the EIR. The EIR is calculated using the lifetime ERC, rather than an 84-month ERC for amortized cost portfolios, and the EIR will vary during the life of the portfolio due to changes in the risk-free rate or other market movements.

Transaction costs that are directly attributable to the acquisition of portfolios, such as legal and due diligence fees, for portfolios held at FVTPL are expensed directly to the statement of income and expenditure as incurred. This is different from the treatment for a similar portfolio held at amortized cost.

Impairment (losses)/gains on portfolio investments at amortized cost

As noted above, an important component in the accounting for both portfolio investments held at amortized cost and at FVTPL, is our assessment of the ERC. See *"—Key accounting policies, judgements and assumptions and estimates—Key accounting assumptions and estimates—Carrying value of portfolio investments*."

We reassess our ERC on a quarterly basis (however every six months with regard to our back-book) utilizing both the local knowledge from the servicer and the broader macro-economic factors. Following the re-assessment of our ERC, we re-calculate the carrying value of the portfolio using the EIR, which for portfolios held at amortized cost does not change after the initial purchase. Any change in the carrying value of such portfolios is reported as an Impairment gains/(losses) on portfolio investments.

In assessing the carrying value of Portfolios held at amortized cost, we will continue to use the 84-month ERC and as such, absent any other changes, the carrying value will increase from one period to the next as forecast collections in month 85 are included within the calculation. Such expected collections are discounted using the EIR to calculate the change in the carrying value. Since several of our portfolios, particularly our unsecured portfolios, have long annuity type collection profiles, such future collections are not included within our 84-month ERC.

Income/(loss) from real estate inventories

As part of our investment activities, we sometimes acquire real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow a period of time where capital expenditure is being applied to the asset, such investments fall under the scope of IAS 2 – Inventories. In line with IAS 2, income is recognized at the time of disposal of the real estate and is measured as a gain or loss on the transaction, based on the sale proceeds, after any selling costs, less the cost of acquisition, after any acquisitions fees and costs, and less the costs of any capital expenditure incurred.

Share of profit in portfolio joint venture

The Group accounts for 50% retained share of our unsecured back book in the United Kingdom as a joint venture. The other 50% was divested to Intrum UK, as part of a broader divestment in 2023 of the Capquest and Mars Capital UK servicing platforms, which were also sold to Intrum UK.

This joint venture is accounted for under the equity method and initially recognized at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss in this joint venture with Intrum UK.

Integrated fund and asset management income

Income from our Integrated Fund Management segment i.e., our capital-light businesses, is predominantly reported as income from our asset management and servicing and fund and investment management activities. The combined income from this segment represents the capital-light income of the Group.

Income from asset management and servicing contracts with clients is measured based on the consideration specified in a contract with a client. We recognize revenue when the asset management and servicing business satisfies a performance obligation related to a service it has undertaken to provide to a client in accordance with IFRS 15. Servicing income makes up the majority of the asset management and servicing income, and in itself comprises a broad range of services, including secured and unsecured collection activity, real estate asset realization, legal title holding, data analytical forecasting, due diligence activities, forensic valuations, initial platform migration and on-boarding activities, securitization vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management. In all material cases, the services are provided at a point in time that corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognized as the services are provided to the client, with no deferral or acceleration of revenue across the life of the contract.

Integrated Fund Management income encompasses services provided in relation to the discretionary and semi-discretionary allocation and management of third-party capital within the Funds. Fees for Integrated Fund Management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from the client's account balance on a regular basis. Income from Integrated Fund Management services is recognized over time as the services are provided in accordance with IFRS 15.

Performance-related fees are recognized only where it is highly probable that the revenue will not be reversed in the future. This is generally near the end of the performance period or upon early liquidation of a Fund. Performance-related fees will only be crystallized when a performance hurdle is met. The estimate of performance fees is made with reference to the liquidation profile for the Fund, which factors in portfolio exits and timeframes. A constraint is applied to the estimate to reflect uncertainty of future fund performance. To date, no performance fees on our Funds have been recognized.

In some instances, fees may be paid to a third party which are directly linked to the acquisition of a long-term contract with a client. In line with IFRS 15 requirements, such costs are included on the balance sheet as an asset corresponding to the cost to acquire a client contract, and are released to the comprehensive statement of profit or loss over time, on a profile corresponding with the period over which economic benefits will be derived from the contract. As at December 31, 2023 and December 31, 2022, we had assets relating to contracts with clients in the amount of £14.2 million and £15.5 million, respectively. These assets fully relate to up-front costs which were incurred to acquire clients within our Integrated Fund Management business, and will be released to the comprehensive statement of profit and loss across the same period as the associated income will be recognized, which is the lifetime of the related fund.

A key judgement made in recognizing these costs which are incurred to acquire clients is whether or not the investors in the applicable Fund met the definition of a "customer" in accordance with IFRS 15. Given the relatively small number of typically larger, institutional investors with which we engage on an individual basis as part of the client acquisition process, these investors are deemed to meet the definition of a "customer" under IFRS 15 guidance. As at December 31, 2023, the weighted average life remaining on these contract balances was

5 years and 1 month. The contract balances amortized in the year ended December 31, 2023, resulting in a £3.1 million of amortization expensed to the comprehensive statement of profit and loss in 2023 with a £2.2 million expense in the prior period.

Profit on disposal of held for sale assets and liabilities

Following a strategic review, and to align with our strategic transition to an integrated fund manager model, in in the third quarter of 2022, the Group agreed to divest our non-core UK platforms, Capquest and Mars Capital UK, to Intrum UK, and our UK unsecured back book, which is subject to a 50:50 profit share arrangement with Intrum UK, and this divestment was completed in the second quarter of 2023, for net proceeds of £129 million. We received £91.5 million of the net proceeds in respect of 50% of the UK portfolios and £37.7 million for the platforms. During the year ended December 31, 2023, this transaction resulted in a £2.9 million loss in our statement of comprehensive income (as a result of a £14.8 million of operations held for sale loss, partially offset by a £11.9 million profit on disposal of held for sale assets and liabilities), which was moved to adjusting items.

In line with applicable accounting standards, the assets and liabilities subject to the agreement, including all of the UK unsecured assets subject to the divestment, were reclassified to 'assets held for sale' and 'liabilities held for sale' and remeasured at their expected proceeds less costs to sell.

Gain on disposal of subsidiary

The Group agreed the sale of subsidiaries Whitestar Italia S.r.l, New Call S.r.l and PARR S.H.P.K (together "**Whitestar Italy**") on March 11, 2022. The disposal concerned business process outsourcing of Italian utility collections, which was considered non-core to the Group's operations. The secured and unsecured investment portfolios and their collections activity previously undertaken by Whitestar Italy were moved to other Arrow subsidiaries pre-disposal. £2.1 million of net profit has been recognized in adjusting items in relation to this disposal.

Operating Expenses

Our operating expenses comprise collection activity and fund management costs and other operating expenses.

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

	For the year ended December 31,			**For the nine months ended September 30,**	
	2021≠	**2022**	**2023**	**2023**	**2024**
		(£'000)		*(£'000)*	
Collection activity and fund management costs	(137,169)	(129,507)	(130,421)	(97,883)	(96,794)
Loss on reclassification to held for sale(1)	—	(21,342)	—	—	—
Other operating expenses	(192,976)	(142,314)	(194,528)	(142,849)	(141,116)
Total operating expenses	**(330,145)**	**(293,163)**	**(324,949)**	**(240,732)**	**(237,910)**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

(1) Represents loss on disposal of wholly owned UK portfolios and non-core UK platforms.

Collection activity and fund management costs represent the direct costs of in-house and external collections related to our investment portfolios, portfolios acquired by the Funds and on behalf of third parties within our Integrated Fund Management business such as salaries, commissions paid to third-party outsourced providers and legal costs associated with collections and other services. The largest component of our collection activity and fund management costs is staff costs.

The following table sets forth a breakdown of collection activity and fund management costs for the periods under review.

	For the year ended December 31,			For the nine months ended September 30,	
	2021≠	2022	2023	2023	2024
			(£'000)		*(£'000)*
External collection costs	24,077	17,044	9,669	5,965	8,620
Staff costs	71,899	69,812	71,112	51,796	62,790
Direct temporary labor	3,966	4,335	4,664	3,769	3,146
Direct operating costs	24,442	13,365	16,709	11,626	14,987
Legal disbursements	11,035	11,608	8,879	6,243	5,143
Other collection activity costs	1,749	4,820	3,695	2,791	2,108
Underlying other operating expenses	**137,169**	**120,984**	**114,728**	**82,190**	**96,794**
Operations held for sale result(1)	—	8,523	15,693	15,693	—
Total collection activity and fund management costs	**137,169**	**129,507**	**130,421**	**97,883**	**96,794**

≠ Derived from AGGL 2021 Financial Statements. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

(1) Represents loss on disposal of wholly owned UK portfolios and non-core UK platforms.

Other operating expenses consist of staff costs, other staff-related costs, premises, IT expenses, depreciation and amortization, net foreign exchange gains or losses and other operating expenses, such as travel costs, professional fees and services and costs incurred in connection with the acquisition of Maslow. Our professional fees and services represent third-party services such as audit and non-audit fees from our independent auditors, company secretarial and legal and outsourced payroll services.

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

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	(£'000)		*(£'000)*	
Staff costs(i)	57,290	64,377	43,576	61,761
Other staff-related costs(ii)	8,275	7,767	4,918	5,566
Premises	1,503	2,187	1,827	3,684
IT	17,515	14,915	10,874	12,546
Depreciation and amortization	10,927	10,074	7,643	8,468
Net foreign exchange gains/(losses)	10,794	(4,016)	(3,900)	(7,652)
Other operating expenses	17,547	25,679	18,222	31,181
Underlying other operating expenses	**123,851**	**120,983**	**83,160**	**115,554**
Takeover costs	—	—	—	—
Organizational restructure costs	—	—	—	—
Non-cash write-down	—	—	—	—
Maslow acquisition – investment in associate adjustment to fair value	—	36,457	36,457	—
Other acquisition costs – depreciation and amortization	11,505	15,008	10,892	18,381
Acquisition related deferred remuneration	321	13,558	3,756	7,181
Operations held for sale result	6,637	8,522	8,584	–
Total other operating expenses	**142,314**	**194,528**	**142,849**	**141,116**

(i) Relates to wages, bonuses and salaries, pension costs, social security costs, share-based payments and staff restructuring.

(ii) Relates to temporary labor, recruitment and training costs.

Finance Income and Costs

Our finance income consists of interest income on bank deposits.

Following the completion of the Acquisition, our finance costs represent primarily interest payments related to the Existing Revolving Credit Facility, the Non-Recourse Facilities, the Existing Notes, interest rate swap and forward exchange contract hedge costs, lease liability interest and other interest. After giving effect to the Transactions, our finance costs will primarily consist of interest payments related to the Exchange Notes and the New Revolving Credit Facility, together with the Non-Recourse Facilities, interest rate swap and forward exchange contract hedge costs, lease liability interest and other interest.

The following table sets forth details relating to our finance income and costs during the periods under review.

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	(£'000)		*(£'000)*	
Interest and similar charges on bank loans	9,831	13,971	10,246	12,113
Interest and similar charges on senior secured notes	68,511	85,684	63,208	66,065
Interest and similar charges on the Non-Recourse Facilities	1,710	187	45	0
Lease liability interest..	1,122	1,805	1,126	1,422
Other interest	1,190	2,208	1,219	2,786
Interest rate swap and forward exchange contract hedge costs	604	(254)	456	(1,918)
Underlying finance costs	**82,968**	**103,601**	**76,299**	**80,468**
Acquisition and refinancing related costs	718	111	1,160	146
Total finance income and costs	**83,686**	**103,712**	**77,460**	**80,614**

Our finance costs for the periods under review currently primarily comprised of the following:

Bank Loans

- *Existing Revolving Credit Facility*. Commitment fees on undrawn and uncancelled commitments under the Existing Revolving Credit Facility were payable at a rate per annum equal to 30% of the applicable margin. Interest on loans was payable at a rate per annum equal to SONIA, SOFR or EURIBOR (as applicable and provided that SONIA, SOFR or EURIBOR shall never be less than 0%) plus a margin of between 2.50% to 3.25% per annum.

Existing Notes

- *Existing Sterling Fixed Rate Notes*. From and including the issue date of November 8, 2021, interest accrued at the rate of 6.000%. During the periods under review, we paid such interest on each of May 15 and November 15 of the relevant calendar year, beginning on May 15, 2022.

- *Existing Euro Fixed Rate Notes*. From and including the issue date of November 8, 2021, interest accrued at the rate of 4.500%. During the periods under review, we paid such interest on each of May 15 and November 15 of the relevant calendar year, beginning on May 15, 2022.

- *Existing Floating Rate Notes*. From and including the issue date of November 8, 2021, interest accrued at a rate equal to the three-month EURIBOR (with a 0.0% floor) plus 462.5 basis points per year, reset quarterly. During the periods under review, we paid such interest on each of February 15, May 15, August 15 and November 15 of the relevant calendar year, beginning on February 15, 2022.

Asset-backed Securitization

- *Non-Recourse Facilities*. During the years ended December 31, 2021, 2022 and 2023, we paid interest, ongoing costs and amortization of the upfront costs on borrowings under the Non-Recourse Facilities payable at a rate per annum equal to one-month LIBOR plus 3.10% per annum in respect of the Sterling Non-Recourse Facility and three-month EURIBOR (provided that LIBOR or EURIBOR shall never be less than 0%) plus 4.25% per annum in respect of the Euro Non-Recourse Facility. As of December 31, 2023, the Group has repaid this facility in full and it has been cancelled.

- *Miscellaneous Facilities*. The Group has various miscellaneous debt factoring and uncommitted overdraft facilities provided by certain financial institutions in relation to the Group's cash management and other administrative requirements in the territories in which the Group operates. The Group's Miscellaneous Facilities comprise of account receivables purchase agreements, factoring agreements (on a non-recourse basis), supplier agreements and other miscellaneous facilities. The Miscellaneous Facilities are non-recourse facilities. As of September 30, 2024, the carrying value under the Miscellaneous Facilities was £21.9 million.

Refinancing Costs

- During the year ended December 31, 2021, we incurred refinancing costs of £33.3 million (as reported in the AGGL 2021 Financial Statements), which included, (i) interest and other cost and expenses in connection with the early redemption of the £220,000,000 5.125% Senior Secured Notes due 2024, €400,000,000 Senior Secured Floating Rate Notes due 2025, €285,000,000 Senior Secured Floating Rate Notes due 2026 and the €75,000,000 Senior Secured Floating Rate Notes due 2026, in each case, issued by Arrow Global Finance plc and (ii) costs and expenses in connection with the issuance of the Existing Notes.

Lease Liability

- *Lease liability interest*. This comprises the interest element of lease payments, in respect of various plant, property and other equipment leased in our ordinary course of business.

Interest rate swap and forward exchange contract hedge costs

- *Interest rate swap and forward exchange contract hedge costs*. This comprises the costs of the interest rate and foreign exchange contracts taken out to hedge our interest rate and foreign exchange exposures. See "*—Qualitative and Quantitative Disclosure of Market Risk—Interest rate risk*" and "*—Qualitative and Quantitative Disclosure of Market Risk—Foreign currency risk*."

Taxation Charge/(Credit) on Ordinary Activities

We have entities in several countries to support our operations, including the United Kingdom, Portugal, the Netherlands, Italy, Ireland, Germany, Spain, Luxembourg, Guernsey and Jersey. Corporation tax is payable in respect of our entities incorporated in these jurisdictions, based on taxable profits, which are different from the reported profits, and the relevant tax rate applicable in each jurisdiction.

Given the predominance of our UK activities, the analysis in our consolidated financial statements uses the UK corporate statutory tax rate prevailing in the accounting period in question. A summary of the taxation charge, our effective tax rate and the differences in the effective tax rate for the period against the standard rate of corporation tax in the United Kingdom is shown in the table below:

	For the year ended December 31,	
	2022	**2023**
	(£'000)	
Loss before tax	83,690	125,348
Tax credit/charge at standard UK corporation tax rate	15,901	29,457
Adjustments in respect of prior periods—current tax	974	(661
Adjustments in respect of prior periods—deferred tax	733	1,198
Effect of tax rates in foreign jurisdictions	(821)	(725)
Changes in estimates relating to prior years	—	—
Expenses not deductible for tax purposes	(3,957)	(8,358)
Foreign tax suffered	(590)	(800)
Tax rate changes	(306)	—
Changes in corporate tax rates during the year	—	—
Income not taxable	2,792	3,706
Share options not recorded to balance sheet		
Movements in unrecognized deferred tax	(16,143)	(25,064)
Total tax credit/(charge)	**(1,417)**	**75**
Effective Tax Rate	1.7%	(0.1)%

For the nine months ended September 30, 2024, our effective tax rate was 8.7%. The primary driver for this lower tax charge is due to the fact that the Group operates in multiple jurisdictions, which are subject to different corporate tax rates and the unrecognized tax losses carried forward in the United Kingdom. At the November 2024 United Kingdom budget, the UK government announced that it will maintain the UK corporation tax for the tax year, commencing April 1, 2026, at 25%.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the end of the reporting period. Our deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12 (*Income Taxes*). The value of recognized deferred tax assets is reviewed at the end of each reporting period and recognized to the extent that it is probable that based on available evidence, both positive and negative, sufficient taxable profits will be available to allow the asset to be recovered. If it is probable that some portion of these assets will not be realized, then no asset is recognized in relation to that portion. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

As of December 31, 2023, the Group has not recognized a deferred tax asset in relation to tax losses carried forward of £70.3 million, due to lack of certainty over future utilization of the losses. These losses may be available for offset against future profits and have no expiry date. As of December 31, 2023, the Group had no unrecognized deferred tax liabilities.

Results of Operations

The following table sets forth information relating to our balance sheet and the statement of profit or loss and other comprehensive income (in the latter case, including as a percentage of total income) during the periods under review.

Consolidated Balance Sheet Data

	As of December 31,			**As of September 30,**	
	2021≠	**2022**	**2023**	**2023**	**2024**
		(£'000)		*(£'000)*	
Assets					
Portfolio investments – amortized cost	704,944	392,182	323,827	362,450	260,770
Portfolio investments – FVTPL	302,808	331,199	380,977	367,919	383,603
Portfolio investments – real estate inventories	41,029	51,463	54,588	61,578	13,958
Portfolio investments – joint ventures	—	—	87,253	88,154	81,514
Total portfolio investments	**1,048,781**	**774,844**	**846,645**	**880,101**	**739,845**
Liabilities					
Existing Notes	1,211,416	1,258,358	1,246,132	1,253,626	1,222,713
Existing Revolving Credit Facility	167,373	169,104	157,592	127,359	146,073
Asset-backed loans	55,158	8,246	—	—	—
Bank overdrafts	9,630	8,423	6,214	7,542	6,135
Other borrowings(1)	2,241	13,590	24,482	23,847	15,721
Total borrowings	**1,445,818**	**1,457,721**	**1,434,420**	**1,412,374**	**1,390,642**

≠ Derived from Parent 2021 Financial Statements. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

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

Consolidated Statement of Profit or Loss Data

	AGGL	**Combined≠**			**For the twelve months ended September 30,**	**For the nine months ended September 30,**	
	As of December 31,		**As of December 31,**				
	2021		**2022**	**2023**	**2024**	**2023**	**2024**
			(£'000)		*(£'000)*	*(£'000)*	
Income from portfolio investments at amortized cost	134,101	132,758	97,812	55,462	47,720	41,621	33,879
Fair value gains on portfolio investments at FVTPL	62,451	62,451	21,351	32,433	47,817	25,180	40,564

	AGGL	Combined≠			For the twelve months ended September 30,	For the nine months ended September 30,	
	As of December 31,		As of December 31,				
	2021		2022	2023	2024	2023	2024
			(£'000)		*(£'000)*	*(£'000)*	
Impairment gains/(losses) on portfolio investments at amortized cost....................	2,709	17,508	9,130	(16,883)	(8,281)	(7,198)	1,404
Income/(loss) from real estate inventories..............	1,963	1,963	2,072	2,403	4,548	(79)	2,066
Share of profit in portfolio joint venture......................	—	—	—	7,266	12,914	3,274	8,922
Total income from portfolio investments.......	**201,224**	**214,680**	**130,365**	**80,681**	**104,718**	**62,798**	**86,835**
Integrated fund and asset management income..........	116,477	116,477	162,323	193,626	246,530	140,405	193,309
Profit on disposal of held for sale assets and liabilities...........................	—	—	—	11,944	—	11,944	—
Gain on disposal of subsidiary	—	—	2,121	—	—	—	—
Other income	98	98	963	1,179	1,799	1,040	1,660
Total income....................	**317,799**	**331,255**	**295,772**	**287,430**	**353,047**	**216,187**	**281,804**
Operating expenses:							
Collection activity and fund management costs	(137,169)	(137,169)	(129,507)	(130,421)	(129,332)	(97,883)	(96,794)
Loss on reclassification to held for sale	—	—	(21,342)	—		—	—
Other operating expenses...	(185,113)	(192,976)	(142,314)	(194,528)	(192,795)	(142,849)	(141,116)
Total operating expenses.	**(322,282)**	**(330,145)**	**(293,163)**	**(324,949)**	**(322,127)**	**(240,732)**	**(237,910)**
Operating (loss)/profit.....	**(4,483)**	**1,110**	**2,609**	**(37,519)**	**30,920**	**(24,545)**	**43,894**
Derivative fair value movements		—	(4,834)	12,018	—	12,018	—
Finance income.................	22	—	537	776	562	472	258
Finance costs	(96,478)	(85,840)	(83,686)	(103,712)	(106,866)	(77,460)	(80,614)
Share of profit in associate	—	—	1,684	3,089	—	3,089	—
Loss before tax................	**(100,939)**	**(84,730)**	**(83,690)**	**(125,348)**	**(75,385)**	**(86,425)**	**(36,462)**
Taxation (charge)/credit on ordinary activities.............	(22,712)	(2,932)	(1,417)	75	(8,142)	11,383	3,166
Loss after tax....................	**(123,651)**	**(87,662)**	**(85,107)**	**(125,273)**	**(83,527)**	**(75,042)**	**(33,296)**
Other comprehensive income/(loss):							
Items that are or may be reclassified subsequently to profit or loss:							
Foreign exchange translation difference arising on revaluation of foreign operations...........	(10,157)	—	1,877	207	(1,714)	(159)	(2,080)
Movement on the hedging reserve.........................	63	—	556	(1,803)	(3,958)	1,707	(448)
Total comprehensive loss	**(133,745)**	**(87,662)**	**(82,674)**	**(126,869)**	**(89,199)**	**(73,494)**	**(35,824)**
Profit/(loss) attributable to:							
Owners of the Company....	(123,805)	(87,816)	(84,756)	(125,967)	(83,299)	(75,838)	(33,170)
Non-controlling interest.....	154	154	(351)	694	(228)	796	(126)
	(123,651)	**(87,662)**	**(85,107)**	**(125,273)**	**(83,527)**	**(75,042)**	**(33,296)**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

Consolidated statement of profit or loss and other comprehensive income for the nine months ended September 30, 2024 compared to consolidated statement of profit or loss and other comprehensive income for the nine months ended September 30, 2023

Income from portfolio investments

Income from portfolio investments decreased by £7.7 million, or 18.6%, from £41.6 million for the nine months ended September 30, 2023 to £33.9 million for the nine months ended September 30, 2024. This decrease was primarily due to the decreasing portfolio balance.

Integrated fund and asset management income

Income from integrated fund and asset management income increased by £52.9 million, or 37.7%, from £140.4 million for the nine months ended September 30, 2023 to £193.3 million for the nine months ended September 30, 2024. This increase was primarily due to the increasing platform footprint due to acquisitions and organic growth.

Total operating expenses

Operating expenses decreased by £2.8 million, or 1.2%, from £240.7 million for the nine months ended September 30, 2023 to £237.9 million for the nine months ended September 30, 2024. This decrease was principally due to the combined effects of the following:

Collection activity and fund management costs. Collection activity and fund management costs decreased by £1.1 million, or 1.1%, from £97.9 million for the nine months ended September 30, 2023 to £96.8 million for the nine months ended September 30, 2024. This decrease was primarily due to improving efficiency of operations.

Other operating expenses. Other operating expenses decreased by £1.7 million, or 1.2%, from £142.8 million for the nine months ended September 30, 2023 to £141.1 million for the nine months ended September 30, 2024. This decrease was primarily due to increasing efficiency of operations.

Finance costs

Net finance costs increased by £3.4 million, or 4.4%, from £77.0 million for the nine months ended September 30, 2023 to £80.4 million for the nine months ended September 30, 2024. This increase was primarily due to increased interest rates.

Taxation credit/(charge) on ordinary activities

Taxation on ordinary activities increased by £8.2 million, or 72.2%, representing the decrease in taxation credit of £11.4 million for the nine months ended September 30, 2023 to a taxation credit of £3.2 million for the nine months ended September 30, 2024. This was primarily due to period on period reduction in losses.

The effective tax rate for the nine months ended September 30, 2024 was 8.7%, compared to 13.2% for the nine months ended September 30, 2023. The difference primarily relates to increased losses in the United Kingdom due to an increase in borrowing costs.

Loss after tax

As a result of the foregoing factors, loss after tax decreased by £41.7 million, or 55.6%, from £75.0 million for the nine months ended September 30, 2023 to £33.3 million for the nine months ended September 30, 2024.

Consolidated balance sheet as of September 30, 2024 compared to consolidated balance sheet as of December 31, 2023

Portfolio investments

Purchased portfolio investments decreased by £106.8 million, or 12.6%, from £846.6 million as of December 31, 2023 to £739.8 million as of September 30, 2024. This decrease was principally due to lower portfolio investments in the context of our pivot to the capital-light integrated fund manager model and amortization of the portfolio book.

In 2024, balance sheet cash collections from our portfolio asset base were £298.1 million (2023: £375.4 million, £283.9 million excluding the 50% of proceeds on the sale of the UK wholly owned portfolios), remaining largely consistent.

The movements in purchased loan portfolio assets were as follows:

	Amortized cost	FVTPL	Real estate inventories	Joint venture	Total
			(£'000)		
As of the period-end brought forward (December 31, 2023)	**323,827**	**380,977**	**54,588**	**87,253**	**846,645**
Portfolios purchased during the current period	548	132,955	–	–	133,503
Movement in investments awaiting deployment	–	(4)	–	–	(4)
Acquisitions in the year	2,040	716	–	–	2,756
Collections in the year	(91,308)	(149,614)	(42,467)	(14,661)	(298,050)
Income from portfolio investments at amortized cost	33,879	–	–	–	33,879
Fair value gain on portfolio investments at FVTPL	–	40,564	–	–	40,564
Income from portfolio investments – real estate inventories	–	–	2,066	–	2,066
Share of profit in portfolio joint venture	–	–	–	8,922	8,922
Net impairment gains/(losses)	1,764	–	(360)	–	1,404
Loss on sale of UK non-core portfolios	–	–	–	–	–
Capital expenditure on real estate inventories	–	–	2,191	–	2,191
Exchange and other movements	(9,980)	(21,991)	(2,060)	–	(34,031)
As of the current period-end (September 30, 2024)	**260,770**	**383,603**	**13,958**	**81,514**	**739,845**

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2023 compared to consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022

Total income from portfolio investments

Total income from portfolio investments decreased by £49.7 million, or 38.1%, from £130.4 million for the year ended December 31, 2022 to £80.7 million for the year ended December 31, 2023. This decrease was primarily due to decreasing portfolio balance and write-downs in value of portfolios due to an increase in discount rates as a result of inflation.

Integrated fund and asset management income

Integrated fund and asset management income increased by £31.3 million, or 19.3%, from £162.3 million for the year ended December 31, 2022 to £193.6 million for the year ended December 31, 2023. This increase was due to both the increase in management and servicing fees from the discretionary funds and strong new business volumes for third-party servicing, which outweighed the reduced revenue due to the divestment of Capquest and Mars UK.

Our Integrated Fund Management business generated third-party management fee income of £78.5 million for the year ended December 31, 2023 (year ended December 31, 2022: £51.5 million) reflecting the strong level of capital deployment in our Funds. As of December 31, 2023, FUM were €9.3 billion (2022: €6.2 billion). The increase in FUM was driven primarily by continued scaling and acquisitions, including €1.3 billion FUM from Maslow's acquisition. The business continued to benefit from the growth in management fees from the Funds and strong asset management and servicing opportunities arising from the deployment of the Funds. During the year ended December 31, 2023, Integrated Fund Management income from third-parties increased by 19.3% to

£193.6 million (2022: £162.3 million), reflecting the 80 new third-party contracts won in 2023 due to continuously high third-party demand for our asset servicing capability as the volume of European NPL assets grew.

Total operating expenses

Operating expenses increased by £31.8 million, or 10.8%, from £293.2 million for the year ended December 31, 2022 to £324.9 million for the year ended December 31, 2023. This increase was principally due to the combined effects of the following:

Collection activity and fund management costs. Collection activity and fund management costs increased by £0.9 million, or 0.7%, from £129.5 million for the year ended December 31, 2022 to £130.4 million for the year ended December 31, 2023. This increase was primarily due to fund management costs, driven by the build out of the Funds and Integrated Fund Management business, including a number of strategic hires in 2023, the creation of new teams and the build out of functions, as well as other costs associated with the strategic pivot to the asset manager model, largely off-set by increasing operational efficiency.

Other operating expenses. Other operating expenses increased by £52.2 million, or 36.7%, from £142.3 million for the year ended December 31, 2022 to £194.5 million for the year ended December 31, 2023. This increase was primarily due to scaling of our operations.

Finance costs

Finance costs increased by £20.0 million, or 23.9%, from £83.7 million for the year ended December 31, 2022 to £103.7 million for the year ended December 31, 2023. This increase was primarily due to increasing interest rates.

Taxation credit/(charge) on ordinary activities

Taxation on ordinary activities decreased from a taxation charge of £1.4 million for the year ended December 31, 2022 to a taxation credit of £75 thousand for the year ended December 31, 2023. This decrease was primarily due to increasing losses year on year.

The effective tax rate for the year ended December 31, 2022 was 1.7%, compared to negative 0.1% for the year ended December 31, 2023. The difference primarily relates to an increase in the amount of unrecognized deferred tax.

Loss after tax

As a result of the foregoing factors, loss after tax increased by £40.2 million, or 47.2%, from £85.1 million for the year ended December 31, 2022 to £125.3 million for the year ended December 31, 2023.

Consolidated balance sheet as of December 31, 2023 compared to consolidated balance sheet as of December 31, 2022

Portfolio investments

Purchased portfolio investments at amortized cost decreased by £68.4 million, or 17.4%, from £392.2 million as of December 31, 2022 to £323.8 million as of December 31, 2023. This decrease was principally due to the sale of a 50% stake in our unsecured back book in the United Kingdom and year-on-year impairment variances due to the deterioration in the macroeconomic environment and the related impacts of inflation on the value of portfolios.

For the year ended December 31, 2023, Balance Sheet Cash Collections from our portfolio asset base were £375.4 million, £283.9 million excluding the 50% of proceeds on the sale of the UK wholly owned portfolios, (as compared to £380.1 million for the year ended December 31, 2022), with the small decrease due to the amortising back book and lowered co-investment level of 10% in ACO II and AREO I compared to the typical 25% level in ACO I.

The movements in purchased loan portfolio assets were as follows:

	Amortized cost	FVTPL	Real estate inventories	Joint Venture	Total
			(£'000)		

	Amortized cost	FVTPL	Real estate inventories	Joint Venture	Total
As of the period-end brought forward (December 31, 2022)	641,194	331,199	51,463	—	1,023,856
Portfolios purchased during the current period	33,752	117,893	—	91,511	243,156
Movement in investments awaiting deployment	—	(3,166)	—	—	(3,166)
Acquisitions in the year	—	1,013	—	—	1,013
Collections in the year	(161,769)	(88,570)	(22,146)	(11,378)	(283,863)
Proceeds on sale of non-core UK portfolios	(183,023)	—	—	—	(183,023)
Deferred purchase consideration liability transfer on sale of non-core UK portfolios	(26,208)	—	—	—	(26,208)
Income from portfolio investments at amortized cost	55,462	—	—	—	55,462
Fair value gains on portfolio investments at FVTPL	—	32,433	—	—	32,433
Income from portfolio investments –real estate inventories	—	—	2,403	—	2,403
Share of profit in portfolio joint venture	—	—	—	7,266	7,266
Net impairment losses	(16,088)	—	(795)	—	(16,883)
Loss on sale of UK non-core portfolios	(16,773)	—	—	—	(16,773)
Capital expenditure on real estate inventories	—	—	21,633	—	21,633
Exchange and other movements	(2,720)	(9,825)	2,030	(146)	(10,661)
As at December 31, 2023	**323,827**	**380,977**	**54,588**	**87,253**	**846,645**

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022 compared to consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2021

Set forth below is a discussion of our consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022 derived from the 2022 Financial Statements, compared to our consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2021 derived from the Combined 2021 Financial Information. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

Total Income from portfolio investments

Our total income from portfolio investments decreased by £70.8 million, or 35.2%, from £201.2 million for the year ended December 31, 2021 to £130.4 million for the year ended December 31, 2022. This decrease was primarily due to a decreasing portfolio balance and write-downs in the values of portfolios due to discount rates as a result of inflation.

Integrated fund and asset management income

Integrated fund and asset management income increased by £45.8 million, or 39.3%, from £116.5 million for the year ended December 31, 2021 to £162.3 million for the year ended December 31, 2022. This increase was principally due to the increase in management fees as the level of capital deployment by our Funds continued to grow, and the corresponding increase in servicing revenue.

Our Integrated Fund Management business generated third-party management fee income of £51.5 million during the year ended December 31, 2022 reflecting the strong level of capital deployment in the Funds. As of December 31, 2022, FUM were €6.2 billion (as compared to €4.5 billion as of December 31, 2021). The increase in FUM was driven primarily by the launch of ACO II, and an expansion of our real estate footprint with the bolt-on acquisition of a 75% interest in Details, a Portuguese hospitality asset manager, which expanded our market presence in Portugal with an additional local platform in the real estate sector. Integrated Fund Management income from third-parties increased by 39.4% to £162.3 million (as compared to £116.5 million for the year ended December 31, 2021), reflecting the 69 new third-party contracts won in 2022.

Total operating expenses

Operating expenses decreased by £29.1 million, or 9.0%, from £322.3 million for the year ended December 31, 2021 to £293.2 million for the year ended December 31, 2022. This increase was principally due to the combined effects of the following:

Collection activity and fund management costs. Collection activity and fund management costs decreased by £7.7 million, or 5.6%, from £137.2 million for the year ended December 31, 2021 to £129.5 million for the year ended December 31, 2022. This decrease was primarily due to increased cost control following a cost base reduction at the end of 2021.

Other operating expenses. Other operating expenses decreased by £42.8 million, or 23.1%, from £191.1 million for the year ended December 31, 2021 to £142.3 million for the year ended December 31, 2022. This decrease was primarily due to take private costs which were incurred in 2021.

Finance costs

Finance costs decreased by £1.9 million, or 2.2%, from £85.8 million for the year ended December 31, 2021 to £83.7 million for the year ended December 31, 2022. Finance costs were largely consistent year on year.

Taxation credit/(charge) on ordinary activities

Taxation on ordinary activities decreased by £1.5 million, from a taxation charge of £2.9 million for the year ended December 31, 2021 to a taxation charge of £1.4 million for the year ended December 31, 2022. This decrease was primarily due to increased losses year on year.

The effective tax rate for the year ended December 31, 2021 was 3.5%. The effective tax rate for the year ended December 31, 2022 was 1.7%.

Loss after tax

As a result of the foregoing factors, loss after tax decreased by £38.6 million, or 31.2%, from £123.7 million for the year ended December 31, 2021 to £85.1 million for the year ended December 31, 2022.

Consolidated balance sheet as of December 31, 2022 compared to consolidated balance sheet as of December 31, 2021

Portfolio investments

Purchased portfolio investments decreased by £24.9 million, or 2.4%, from £1,048.8 million as of December 31, 2021 to £1,023.9 million as of December 31, 2022 (including held for sale portfolios). This decrease was principally due to lower portfolio investments in the context of our pivot to the capital-light integrated fund manager model and amortization of the portfolio book.

In 2022, Balance Sheet Cash Collections from our portfolio asset base were £380.1 million, as compared to £367.4 million in 2021, largely consistent year on year.

The movements in purchased loan portfolio assets, as presented in the Parent 2022 Financial Statements were as follows:

	Amortized cost	**FVTPL**	**Real estate inventories**	**Total**
		(£'000)		
As of the period-end brought forward (December 31, 2021)	704,944	302,808	41,029	1,048,781
Portfolios purchased during the current period	37,007	129,500	9,207	175,714
Investments awaiting deployment	—	5,305	—	5,305
Balance sheet cash collections during the current period	(233,657)	(134,608)	(11,858)	(380,123)
Income from portfolio investments at amortized cost	97,812	—	—	97,812
Fair value gain on portfolio investments at FVTPL	—	21,351	—	21,351
Income from portfolio investments – real estate inventories	—	—	2,072	2,072
Net impairment gains/(losses)	8,992	—	138	9,130
Capital expenditure on real estate inventories	—	—	12,114	12,114
Exchange and other movements	26,096	6,843	(1,239)	31,700
As at December 31, 2022 including held for sale	**641,194**	**331,199**	**51,463**	**1,023,856**
As of the current period-end (December 31, 2022) excluding held for sale	**392,182**	**331,199**	**51,463**	**774,844**

Liquidity and Capital Resources

Overview

Our principal uses of funds are to fund portfolio investments, which we now make primarily as co-investments in our Funds, working capital, capital expenditures and the development of our businesses, and to service debt and tax requirements. Since the completion of the Acquisition, we have had four key sources of debt funding, along with our retained reserves, being the Existing Notes, the Existing Revolving Credit Facility, the Non-Recourse Facilities and the Miscellaneous Facilities. As of September 30, 2024 and following the completion of the Transactions, our key sources of debt funding would be the Exchange Notes, the New Money Notes, the Existing Notes (if any), the New Revolving Credit Facility and the Miscellaneous Facilities.

The following table sets forth details relating to certain liquidity measures as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024
	(£'000)	
Net debt (£'000)[(1)]	1,338.9	1,314.0
Secured Net Debt (£'000)[(2)]	1,296.7	1,272.3
Leverage[(3)]	3.9x	3.6x
Liquidity Headroom[(4)]	227	220
Net Debt/total equity attributable to shareholders[(5)]	440%	488%

(1) Net Debt does not reflect debt issuance costs. See "*Summary—Summary Historical Consolidated Financial and Other Information—Summary Historical Consolidated Financial Information—Net Debt*" for information of how Net Debt is calculated.

(2) Secured Net Debt is debt that is secured, and includes for the periods under review, the Existing Notes, the Existing Revolving Credit Facility, the Non-Recourse Facilities and the Miscellaneous Facilities (net of cash), as applicable.

(3) Leverage represents the ratio of Secured Net Debt to Adjusted EBITDA. Adjusted EBITDA is £353.2 million for the twelve months ended September 30, 2024. See note 8 in "*Summary—Summary Historical Consolidated Financial and Other Information—Summary Historical Consolidated Financial Information—Other Financial Data*" for information on how Adjusted EBITDA is calculated.

(4) The key measure used by the Group for managing liquidity risk is liquidity headroom, which, for the periods under review, includes cash and cash equivalents and the headroom under committed facilities, being the Existing Revolving Credit Facility. Liquidity headroom excludes certain cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitization structure awaiting a payment date.

(5) Total equity attributable to shareholders is derived from the balance sheet of the Parent as at December 31, 2023 and September 30, 2024, respectively.

We are highly cash generative before purchases of investment portfolios. Adjusted EBITDA in the nine months ended September 30, 2024 was £282.5 million, representing 21% of our Net Debt. We believe we have a prudently managed balance sheet.

As noted in the table above, as of September 30, 2024, our Secured Net Debt divided by Adjusted EBITDA or Leverage was 3.6 times compared to 3.9 times as at December 31, 2023. Given our evolution and further development as an integrated fund manager business, we are aiming towards reducing our Leverage to 3.0 times over the medium term. This target is indicative and there can be no assurance that we will be able to achieve this target within the planned time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks relating to our Business, Industry and Regulations—This Exchange Offer Memorandum includes forward-looking statements, certain projections, targets and assumptions in forecasts that involve risks and uncertainties.*"

As of September 30, 2024, our borrowings under the Existing Revolving Credit Facility, before netting of transaction fees, were £147.6 million, compared to £159.8 million as of December 31, 2023. We maintained a strong cash and liquidity position during 2023. As of the Settlement Date, after giving effect to the Transactions, the Existing Revolving Credit Facility will be cancelled in its entirety, and the outstanding balance under the Existing Revolving Credit Facility will be rolled over to the New Revolving Credit Facility.

We expect that our increased focus on reducing capital needs and growing our earnings from our capital-light businesses will result in higher levels of cash generation and lower requirements to invest in portfolios to generate cash returns in the future. However, our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed under "*Risk Factors.*"

Cash flow

The following table summarizes the principal components of our consolidated cash flows for the periods under review.

	For the year ended December 31,			For the nine months ended September 30,	
	2021≠	2022	2023	2023	2024
		(£'000)		*(£'000)*	
Net cash generated by/(used in) operating activities.........	7,217	61,243	121,031	67,961	92,181
Net cash generated by/(used in) investing activities	(568,702)	(21,692)	(41,522)	(17,832)	(17,857)
Net cash flow generated by/(used in) financing activities.	580,406	(106,127)	(109,499)	(104,154)	(93,138)
Net increase/(decrease) in cash and cash equivalents	18,921	(66,576)	(29,990)	(54,025)	(18,814)

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

Cash flow for the nine months ended September 30, 2024 compared to cash flow for the nine months ended September 30, 2023

Net cash generated by operating activities increased by £24.2 million, or 36%, from £68.0 million for the nine months ended September 30, 2023 to £92.2 million for the nine months ended September 30, 2024. The increase was primarily due to decreasing losses over the period.

Net cash used in investing activities increased from £17.8 million for the nine months ended September 30, 2023 to £17.9 million for the nine months ended September 30, 2024. This increase was primarily due to an increase in intangible asset investment offset by the acquisition and disposals of subsidiaries in 2023.

Net cash used in by financing activities decreased by £11.0 million, or 11%, from £104.2 million for the nine months ended September 30, 2023 to £93.1 million for the nine months ended September 30, 2024. This decrease was primarily due to increasing interest costs on borrowings.

Cash flow for the year ended December 31, 2023 compared to cash flow for the year ended December 31, 2022

Net cash generated by operating activities increased by £59.8 million, or 97.6%, from £61.2 million for the year ended December 31, 2022 to £121.0 million for the year ended December 31, 2023. The increase was primarily due to an increase in cash generated from business operations, in addition to reduced portfolio investments.

Net cash used in investing activities increased by £19.8 million, or 91.4%, from £21.7 million for the year ended December 31, 2022 to £41.5 million for the year ended December 31, 2023. This increase was primarily due to greater acquisition activity.

Net cash used in by financing activities increased by £3.4 million, or 3.2%, from £106.1 million for the year ended December 31, 2022 to £109.5 million for the year ended December 31, 2023, largely consistent year on year.

Cash flow for the year ended December 31, 2022 compared to cash flow for the year ended December 31, 2021

Net cash generated by operating activities increased by £54.0 million, from net cash generated by operating activities of £7.2 million for the year ended December 31, 2021 to net cash generated by operating activities of £61.2 million for the year ended December 31, 2022. The increase was primarily due to underlying cash generation of operations and reduced portfolio purchases.

Net cash used in investing activities decreased by £547.0 million, or 96.2%, from £568.7 million for the year ended December 31, 2021 to £21.7 million for the year ended December 31, 2022. This decrease was primarily due to the Acquisition completed in 2021.

Net cash generated by financing activities decreased by £686.5 million, from net cash generated by financing activities of £580.4 million for the year ended December 31, 2021 to net cash used in financing activities of £106.1 million for the year ended December 31, 2022. This decrease was primarily due to the issuance of the Existing Notes in 2021.

Adjusted Free Cash Flow

We define Adjusted Free Cash Flow as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid and amounts paid for the purchase of property, plant and equipment and intangible assets. The following table sets forth a reconciliation of Adjusted Free Cash Flow to net cash from operating activities during the periods under review. For a reconciliation of our Adjusted Free Cash Flow from Adjusted EBITDA, see "*Summary—Summary Historical Consolidated Financial and Other Information—Other Financial Data.*"

Borrowings

As of September 30, 2024, we had secured financial indebtedness of £1,272.3 million, primarily from our three core funding sources: the Existing Notes, the Existing Revolving Credit Facility and the Miscellaneous Facilities. Following the completion of the Transactions, our principal borrowings are expected to be the Exchange Notes, the Outstanding Existing Notes (if any), the New Money Notes, the New Revolving Credit Facility and the Miscellaneous Facilities. See "*Capitalization*" and "*Description of Other Indebtedness*" for further details relating to our capitalization and indebtedness as of the dates indicated therein.

Existing Revolving Credit Facility

On October 6, 2021, we entered into the Existing Revolving Credit Facility. In connection with the Acquisition, the drawings under the Existing Revolving Credit Facility were utilized to repay the outstanding amount under the then existing revolving credit facility drawn by us at that time, and upon such repayment, the then existing revolving credit facility was cancelled in full, in accordance with the applicable change of control provisions in respect thereof. In 2023, we entered into two ancillary facilities utilizing the existing commitment capacity under the Existing Revolving Credit Facility. As of September 30, 2024, £147.6 million was outstanding under the Revolving Credit Facility (pre-netting of transaction fees). See "*Description of Other Indebtedness*" for further details. As of the Settlement Date, after giving effect to the Transactions, the Existing Revolving Credit Facility will be cancelled in its entirety, and the outstanding balance under the Existing Revolving Credit Facility will be rolled-over to the New Revolving Credit Facility.

Miscellaneous Facilities

The Group has various miscellaneous debt factoring and uncommitted overdraft facilities provided by certain financial institutions in relation to the Group's cash management and other administrative requirements in the territories in which the Group operates. The Miscellaneous Facilities are non-recourse facilities. As of September 30, 2024, the carrying value under the Miscellaneous Facilities was £21.9 million. See "*Description of Other Indebtedness*" for further details.

Capital expenditure

The table below shows the capital expenditure by period:

	For the year ended December 31,			For the nine months ended September 30,	
	2021≠	**2022**	**2023**	**2023**	**2024**
		(£'000)		*(£'000)*	
Other intangible assets	(10,487)	(7,380)	(8,997)	(5,977)	(10,449)
Plant, property and equipment	(3,928)	(14,642)	(14,187)	(2,971)	(5,088)
Total capital expenditure	**(14,415)**	**(22,022)**	**(23,184)**	**(8,948)**	**(15,537)**

≠ Derived from Combined 2021 Financial Information. We have presented the information on a combined basis to provide a reasonable basis of comparison to the year ended December 31, 2022. See "*Presentation of Financial and Other Information—Financial Information for the Group*."

For the nine months ended September 30, 2024, we incurred £15.5 million in capital expenditure, being £10.4 million for intangible assets and £5.1 million for fixed assets. For the nine months ended September 30, 2023, we incurred £8.9 million in capital expenditure, being £6.0 million for intangible assets and £3.0 million for fixed assets. For the year ended December 31, 2023, we incurred £23.2 million in capital expenditure, being £9.0 million for intangible assets, predominantly relating to IT and software license costs, and £14.2 million for fixed assets, predominantly relating to leased assets. For the year ended December 31, 2022, we incurred £22.0 million in capital expenditure, being £7.4 million for intangible assets and £14.6 million for fixed assets. For the year ended December 31, 2021, we incurred £14.4 million in capital expenditure, being £10.5 million for intangible assets and £4.0 million for fixed assets.

We expect our capital expenditure to remain broadly stable in 2024 compared to our historical capital expenditure in 2023 and 2022. As we continue to grow our Integrated Fund Management business, we expect that additional costs may be incurred, such as in the continued development of our funds system, but we expect capital expenditure to continue at similar levels to prior years.

Contractual obligations and commercial commitments

The following table sets forth a summary of our contractual obligations and commercial commitments as of September 30, 2024, after giving effect to the Transactions.

	Contractual maturity profile by period				
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	5 or more years	Total
			(£'000,000)		
New Notes, including Exchange Notes offered hereby[(1)]	—	—	—	1,216.6	1,216.6
New Revolving Credit Facility	—	—	—	147.6	147.6
Miscellaneous Facilities (including other borrowings)	13	1.8	0.2	6.9	21.9
Total	13	1.8	0.2	1,371.1	1,386.1

(1) See Note (3) of the section titled "*Capitalization*" for the assumptions in relation this amount, which is calculated assuming 100% acceptance in the Exchange Offer and the Tender Offers.

Off-Balance Sheet Arrangements

As of September 30, 2024, we had no off-balance sheet arrangements.

Qualitative and Quantitative Disclosure of Market Risk

We are exposed to market risk in the form of liquidity risk, foreign currency risk, interest rate risk and credit risk that arise in the normal course of our business.

Liquidity risk management

Our day-to-day working capital requirements are funded by our cash and cash equivalents, along with access to our Existing Revolving Credit Facility. The key measure used by the Group for managing liquidity risk is liquidity headroom. Liquidity headroom excludes cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitization structure awaiting a payment date. We manage liquidity risk by monitoring a number of metrics, including Leverage, levels of our cash and headroom under our Existing Revolving Credit Facility, headroom under the financial covenant within our Existing Revolving Credit Facility, the diversification of our funding sources, our external credit ratings and the period to maturity of our Existing Notes and Existing Revolving Credit Facility. These metrics are reviewed on an actual historical basis, but also, where appropriate, on a forward-looking view through our budgeting process.

This holistic review to liquidity risk is important to ensure that the risk is appropriately managed. As of September 30, 2024, we reported Leverage of 3.6 times. We had cash and headroom on our committed Existing Revolving Credit Facility as at September 30, 2024 of £220 million.

For further information on our diversified funding sources, see "*Description of Other Indebtedness*" and "*Description of the New Notes*."

Foreign currency risk

A significant portion of our operations are in Italy, Portugal, Ireland and the Netherlands, as such, we are exposed to foreign exchange currency risk. The exposures created by our operations are summarized as follows:

(a) *Net asset exposure*: Our assets and liabilities denominated in a different currency to our base accounting currency (i.e., pounds sterling) will be revalued on a monthly basis creating a translation gain or loss. This primarily relates to our euro-denominated portfolios acquired by UK legal entities, euro-denominated intra-group loans from a UK entity to an overseas subsidiary to fund either euro-denominated portfolios or historical acquisitions. We use euro-denominated borrowings, through our Existing Notes and our Existing Revolving Credit Facility, to ensure that positions are closely matched, thereby minimizing the impact of any translational gains and losses. We expect to continue to use euro-denominated borrowings under the Exchange Notes and the New Revolving Credit Facility;

(b) *Income statement exposure*: Profits from our overseas operations can vary when translated to pounds sterling for reporting purposes. A risk therefore arises that a fluctuation in the exchange rate relative to the Euro will have an impact on the consolidated result for the period. It is our policy not to hedge this exposure; and

(c) *Cash flow exposure*: Cash flows arising in a different currency from our base accounting currency, such as dividend receipts paid in euros to a UK holding company and receipts of fund management fees. It is our policy to hedge such exposures when they are considered highly likely and they are significant. The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currencies. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are highly likely to arise in the following twelve months. Where cash flow hedges have been entered into, they are designated as cash flow hedges on specific future transactions.

Furthermore, there can be impacts that do not create an exposure to our reported results. For example, our Existing Revolving Credit Facility has, and our New Revolving Credit Facility, will have, a fixed sterling commitment and therefore, the headroom can reduce due to market fluctuations on any euro borrowings made under the facility. Similarly, the reported Leverage may increase or decrease merely due to the conversion of our euro-denominated debt.

We have historically reduced the risk of our foreign currency exposure predominantly through borrowing in euros under the Existing Revolving Credit Facility and the Existing Notes and, less frequently, using forward foreign exchange contracts. The nominal value of foreign exchange contracts was £33.3 million (equal to a fair value of nil), as at December 31, 2023 and the nominal value of foreign exchange contracts was £110.7 million (equal to a fair value liability of £0.4 million), as at September 30, 2024.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% weaker than sterling at the balance sheet date and all other variables were held constant, our net assets for euros would increase/(decrease) as follows:

	Equity and net assets	
	December 31, 2022	**December 31, 2023**
	(£'000)	
Euro (EUR)	(17,493)	(17,555)
	(17,493)	**(17,555)**

If foreign exchange rates had been 10% stronger than sterling at the balance sheet date and all other variables were held constant, our net assets for euros would increase/(decrease) as follows:

	Equity and net assets	
	December 31, 2022	**December 31, 2023**
	(£'000)	
Euro (EUR)	(93,512)	(62,199)
	(93,512)	**(62,199)**

	Equity and net assets	
	December 31, 2021	December 31, 2022
	(£'000)	
Euro (EUR)	21,380	21,456
	21,380	**21,456**

Interest rate risk

We are exposed to interest rate risk arising on changes in interest rates on our borrowings, principally on the Existing Floating Rate Notes and any borrowings under our Existing Revolving Credit Facility, and therefore seek to monitor and limit this exposure within an acceptable level of risk appetite. Following the completion of the Transactions, we expect to continue to have such interest rate risks under the Floating Rate Exchanges Notes and the New Revolving Credit Facility. The risk is monitored by (i) assessing the impact of a shock to interest rates, both euro and pound sterling benchmark rates, and assessing the impact on our profits for the current and next financial years; and (ii) assessing the profile of our fixed and floating rate debt over the medium term. The objectives of our policy are firstly, to seek to limit the impact of a shock to interest rates to our profits for the current and next financial years within acceptable levels, and second, to broadly match the level of fixed rate debt, together with any interest rate swap contracts, to an approximate profile of the maturity of our portfolio investments.

We typically use interest rate swap contracts to achieve our objective by seeking to hedge a portion of our floating rate borrowings. As of September 30, 2024 and December 31, 2023, the notional value of the interest rate swaps was €400 million. As of September 30, 2024, all interest rate swaps were effective and hedged against the Existing Floating Rate Notes, including the zero percent floor.

The following table sets forth details relating to our interest rate hedges.

Outstanding contracts	Notional value at December 31, 2023	Notional value at September 30, 2024	Maturity date	Fair value at December 31, 2023	Fair value at September 30, 2024
	(€'000)			(£'000,000)	
Interest rate swap	200,000	200,000	November 15, 2024	(558)	(108)
Interest rate swap	50,000	50,000	May 15, 2026	575	577
Interest rate swap	150,000	150,000	May 15, 2026	1,764	1,764
Balance sheet liability				1,781	2,233

Interest rate sensitivity analysis

If the interest rates across all countries of operation increased by 50 basis points, it would have led to a higher finance costs and a reduction in our profit before taxation for the following twelve months of £1,297 million as at December 31, 2023 and £1,254 million as at December 31, 2022.

Counterparty credit risk

Counterparty credit risk refers to the risk that a counterparty, such as a bank, defaults on its contractual obligations resulting in a financial loss to us. The credit risk relating to financial assets mainly concerns cash and cash equivalents held within bank accounts and any positive mark-to-market value on any foreign currency and derivative financial instruments.

Foreign currency and derivative financial instruments are transacted through banks which are approved by our Board and are limited to high credit quality financial institutions. Cash and cash equivalents held on our balance sheet relate to balances held in operational bank accounts only and are held at approved banks only. We seek to minimize balances by utilizing surplus cash to repay borrowings under our debt facilities.

Capital risk management

We are subject to the risk that our capital structure will not be sufficient to support the growth of the business. The Parent is currently not required to hold regulatory capital but we have a medium-term target to maintain a Leverage at 3.0 times.

We aim to maintain appropriate capital to ensure that we have a strong statement of financial position while providing a good return on equity to our shareholders. Our long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity financing.

Our capital structure consists of cash, cash equivalents debt and equity. Management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position were as follows:

	December 31, 2022	**December 31, 2023**	**September 30, 2024**
		(£'000)	
Ordinary share capital and premium	577,672	586,422	586,422
Other reserves	(153,043)	(281,868)	(316,954)
Total equity and reserves	**424,629**	**304,554**	**269,468**

Key accounting policies, judgements and assumptions and estimates

Key accounting policies

The key accounting policies that we use in preparing our consolidated financial statements are described in note 3 to our consolidated financial statements included elsewhere in this Exchange Offer Memorandum. Below is a list of what we believe are the material areas where reporting in future periods may differ from the current reported results of the Group:

(a) *Goodwill*: Goodwill was £747.2 million as at September 30, 2024 and is currently held on the balance sheet of the Group.

(b) *Portfolio investment carrying value*: As noted above, under our accounting for business combinations, the identifiable net assets acquired are measured at fair value. This applies to all assets, such as fixed assets, and liabilities. In particular, portfolio investments held at amortized cost, portfolios classified as joint ventures, and held as inventories will, under the consolidated results of the Parent, be recognized initially at their fair value rather than under their current historic cost accounting value. Any change to the carrying value going forward would result in a change to the revenue recognized through the profit and loss of the Parent's consolidated results going forward.

As at September 30, 2024, the carrying value of portfolio investments, which are recognized at amortized cost was £260.8 million. As part of the disclosures within our reported results as at September 30, 2024, we estimated the fair value of such portfolios at £261.3 million, an uplift of £0.5 million. Fair value has been calculated by observing the compression in market yields over time and applying the difference between current average market IRRs for our most recent vintage, and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio.

As part of the acquisition accounting process, a more rigorous review of each portfolio would need to be undertaken and, as such, the actual fair value at the acquisition date is likely to be different to the indicative fair value estimate shown within our historical financial disclosure information.

Any uplift to the carrying value of our portfolio investments will reduce the revenue recognized in future periods on such portfolios within the consolidated results of the Parent.

(c) *Debt carrying value*: The carrying value of our debt includes unamortized upfront costs of arranging the debt. As at September 30, 2024, there was £13.7 million of unamortized debt costs relating to the Existing Notes and the Existing Revolving Credit Facility held on our balance sheet. Given the refinancing of our debt that existed at the time of the Acquisition, it is expected that the fair value of this unamortized debt will be minimal and hence will impact the level of goodwill arising within the consolidated results of the Parent.

(d) *Intangible amortization*: The acquisition of intangible assets, which arose upon the Acquisition, primarily relates to customer relationships and brands. When we acquire businesses and when the Parent acquired AGG, which has material ongoing customer relationships, whether contractual or otherwise, the principles of IFRS 3 require that the fair value of such customer relationships must be estimated and recognized on the balance sheet at the acquisition date. The impact of this is to effectively reduce the goodwill recognized on acquisition. Subsequent to the initial recognition of such assets, the assets are amortized over the expected life of the customer relationships with us. This amortization is recognized within operating expenses. The useful lives and carrying values of customer intangibles are reviewed at each reporting date and adjusted if appropriate. As such, the creation of the customer and brand intangibles, and associated non-cash amortization thereof, will reduce the reported consolidated profits of the Parent in the future, although such non-cash item will be separately identifiable.

Key accounting judgements

We regularly make judgements, when preparing our consolidated financial statements, which affect the application of our accounting policies and our reported amounts of assets, liabilities, income and expenses. As such, our actual results may differ from these judgments. The judgements are reviewed on an ongoing basis. Revisions to accounting judgments are recognized in the year in which the judgment is revised.

The following are the key accounting judgements that have been made when preparing our financial statements:

Classification of portfolio investment assets

We hold the majority of our portfolio investments at amortized cost, due to the fact that we have determined that these assets meet the SPPI criteria and are held in a 'hold to collect' business model. The SPPI criteria for each portfolio are assessed at the point each portfolio is being approved for purchase and are based on the nature of the underlying loans which are being purchased. This determination is made for each purchase individually, unless it is a follow-on purchase of the same or very similar assets, which have already been assessed.

With respect to the 'hold to collect' business model, we have determined that this is the most appropriate IFRS 9 business model classification for its general portfolio holding activities, as although in the past a small number of portfolios have been sold outright to a third party, such sales do not comprise a material component of our ERC at any point in time. Therefore, we believe that such infrequent sales activity is not deemed to invalidate the 'hold to collect' business model which we employ for the majority of our portfolios.

Another judgement that has been made regarding the Group's amortized cost portfolio assets is that they all fall within the purchased or originated credit-impaired ("**POCI**") classification for IFRS 9 impairment measurement purposes. This judgement has been made, based on the fact that historic purchase history and the current composition of our amortized cost portfolio investments shows that such assets tend to be bought at a point in time where they are credit impaired in some manner. This is supported by not only the nature of the assets, but by the fact that they are usually purchased at a steep discount, which is reflective of their incurred credit losses to date.

For some portfolio investments, the SPPI criteria are not met, or there is an element of subordination within the holding structure. In such instances, these portfolio investments are held at FVTPL. Furthermore, some portfolio investments, such as those involving real estate, do not meet the definition of a financial instrument for accounting purposes. This leads to a portion of our portfolio investments being classified as 'inventories' under the scope of IAS 2.

Our co-investment alongside our Integrated Fund Management business is deemed to be held in a different 'business model' than 'hold to collect,' as these portfolio investments are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the 'business model' of these portfolios is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell the Portfolio Assets. As such, our co-investment alongside the Fund and other co-investment portfolios purchased alongside other third-parties are classified as FVTPL.

Determination of control over investees

We hold an economic interest in a number of entities which we determine under IFRS 10 that we do not control. As such, these entities are not consolidated into our financial statements, but rather, the investment in such entities is recognized as a single asset within the appropriate balance sheet classification, usually portfolio investments. Conversely, we also consolidate entities into our financial statements which we do not have 100% ownership of, but we are judged to control regardless.

The judgement as to whether or not we have control over an entity is taken on a case-by-case basis by management, and is firstly based on whether we can exercise any power over the relevant activities of the entity, and if this is the case, whether there is deemed to be a link between such power and the variability of returns that arise from the entity.

In many cases, the determination of control is clear. Cases where management must apply more judgement can occur where we hold a minority equity-level financial interest in a structured entity, as well as providing services to these entities in a typical supplier-customer relationship capacity. In these cases, we mainly assess the relative share of marginal variable returns which flow to third parties versus the share which flows to ourselves as a primary indicator of whether we are exercising any power we may have to influence the variable returns of the structured entity, either for its benefit, or for the benefit of third parties in the structure. In the case of the former, the entity will usually be consolidated, whereas under the latter, the entity will usually not be consolidated.

Where there are a small number of investors we focus on the assessment of the aggregate economic interests of the Group in the relevant fund (including any carried interests and expected management fees) and the investors' rights to remove the fund manager. In the instance of a single party investor there are single party kick-out rights and this is the focus of determining whether the Group has control.

As the kick-out rights are without cause, and factoring in the aggregate economic interest for those funds where there are not single party kick-out rights, the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

Key accounting assumptions and estimates

In addition to our accounting judgements, we also regularly make estimates and assumptions, when preparing our consolidated financial statements, that affect the application of our accounting policies and our reported amounts of assets, liabilities, income and expenses. As such, our actual results may differ from these assumptions and estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised.

The following are the key accounting assumptions and estimates that have been made when preparing our consolidated financial statements:

Carrying value of portfolio investments

As of December 31, 2023, the carrying value of portfolio investments was £846.6 million compared with £1,023.9 million as of December 31, 2022 (including held for sale portfolios). The majority of our portfolio investments are measured at amortized cost. See "—*Key accounting policies, judgements and assumptions and estimates—Key accounting policies*."

For the year ended December 31, 2023, for assets invested in its funds, the Group has taken its percentage ownership of the fund valuations. The fund valuations are derived either from generated cash flow forecasts based on ERCs using a bottom-up approach, whereby cash flow have been modelled using a number of factors, including cash collections history, property status and valuations and macro-economic projections of property values, or from third-party valuations provided by specialists. ERCs are then discounted at the market rate with the rate updated by adjusting for movements in the risk free rate reflecting the change in discount rates due to prevailing market conditions. For on balance sheet investments excluding joint ventures, the Group has generated its own ERCs whereby each individual portfolio's cash flow has been modelled using a number of portfolio specific factors, including cash collections history and an array of data concerning the status of the individual loans within these portfolios, for example account-specific balance sheet cash collections history, account status, property status and valuation (for secured accounts), servicer history, and supporting data from third parties such as credit files or macroeconomic projections. This data has been used in conjunction with the predicted effectiveness of any additional collection initiatives to generate the eventual ERC for each portfolio.

The portfolio-level ERC curves were then discounted at the appropriate rate (EIR for amortized cost portfolios, a rate reflective of assumptions that market participants would use when pricing the asset for FVTPL portfolios), to obtain the revised NPV and hence carrying value of the amortized cost and FVTPL portfolio investments. For return on equity portfolio investments, the revised ERC curve was used to determine the net realizable value in assessing each portfolio for potential impairment.

Following production of the on balance sheet valuations, the Group utilizes a range of third-party forward-looking economic scenario projections, to adjust the amortized cost portfolio for macro-economic risk not captured in the bottom-up portfolio-level modelling. As part of this exercise, we assume that the portfolio-level ERCs represent the "base case" economic scenario projection, and the performance indicators that underpin these ERCs, including House Price Index ("**HPI**") and Default Rates, are stressed according to the relative variance between a given economic scenario projection and the base case economic scenario projection. A weighted probability is then assigned to each scenario to yield an adjusted ERC.

The estimated future cash flows generated by the above process are the key estimate/judgement in our financial statements. Flexing the expected future gross cash flows by +1/-1% would impact the closing carrying value of the amortized cost and FVTPL portfolio investments as at December 31, 2023 and as at December 31, 2022 by +/- £7.1 million and +/- £9.7 million, respectively.

The forecasting period over which ERCs are calculated is also a key estimate/judgement in our financial statements. Adding or removing nine months to the cash flow forecasting period would increase/(reduce) the closing carrying value of the portfolio investments as at December 31, 2023 by £2.8 million/(£10.3) million and as at December 31, 2022 by £7.2 million/(£10.2) million.

The carrying value of our investments directly affects our total income and, as such, the estimation of the ERC will impact not just the carrying value of the portfolio investments, but also our total income. See "—*Description of Key Statement of Profit or Loss and Other Items—Total Income*."

Fair value of net assets acquired as part of business combinations

We capitalize goodwill on the acquisition of entities. Goodwill is the excess of the consideration paid over the fair value of net assets acquired. Therefore, the fair value of assets acquired directly impacts the amount of goodwill recognized on acquisition. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired portfolio investments and customer intangibles where valuations reflect estimates of amounts and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post-acquisition performance of the acquired entities.

Impairment assessment of goodwill balances

The carrying amount of goodwill held on the Group's consolidated balance sheet is £745.1 million as at December 31, 2023. Following the Acquisition, consolidated accounts have been prepared by the Parent and goodwill relating to the Acquisition has been created. See "—*Description of Key Balance Sheet Statement Items—Goodwill*." In line with our accounting policies, this newly formed goodwill balance has been assessed for impairment at each annual reporting date. The impairment assessment is expected to be carried out on a value in use basis, using discounted cash flow models for each CGU to determine whether the ongoing value in use of each CGU is higher than its carrying amount. For the goodwill held on the consolidated balance sheet of the Group, no impairment was recognized as a result of the assessment performed as at December 31, 2023 or in prior accounting periods. The assessment is sensitive to the discount rate applied, and management's forecast future cash flows for each CGU.

INDUSTRY

*Certain of the estimates and other information set forth in this section have been derived from external sources, including third-party industry data providers (collectively, the "**Industry Data Providers**" and, each individually, an "**Industry Data Provider**"). We believe that such information and statements are true and accurate, but there can be no assurance that is the case. Such information and statements have not been verified by any independent sources and are subject to change based on various factors. Unless otherwise stated, industry data in this Exchange Offer Memorandum from Industry Data Providers was sourced at various points in time and reflects the data available at such point in time and does not reflect further updates after it was sourced. Industry publications, studies 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. See* "Market and Industry Data*." The estimates and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See* "Risk Factors*" and* "Forward-Looking Statements*."*

Introduction

We are a leading European vertically integrated fund manager operating across the European alternative asset management industry.

Our Integrated Fund Management business originates new investments and, on behalf of Limited Partner investors in our Funds, acquires a range of portfolios in which our Balance Sheet business co-invests in our Funds. Our 22 local platforms offer asset management, sourcing and servicing for the assets acquired by the Integrated Fund Management and Balance Sheet businesses, and also for assets acquired by third parties. We invest in various classes of assets, including, but not limited to, opportunistic credit (such as performing and non-performing credit portfolios, bankruptcies, secured collaterals), real estate lending (such as secured credit investments including bridging, development lending and commercial term loans) and real estate equity (such as value-added and opportunistic equity investments in direct real estate from distressed situations). We currently seek opportunities and acquire portfolios originated in the United Kingdom, Ireland, the Netherlands, Portugal, Italy, Spain and Germany. The main source of such portfolios are non-performing loans, real estate and other non-core assets acquired in both the primary and secondary markets.

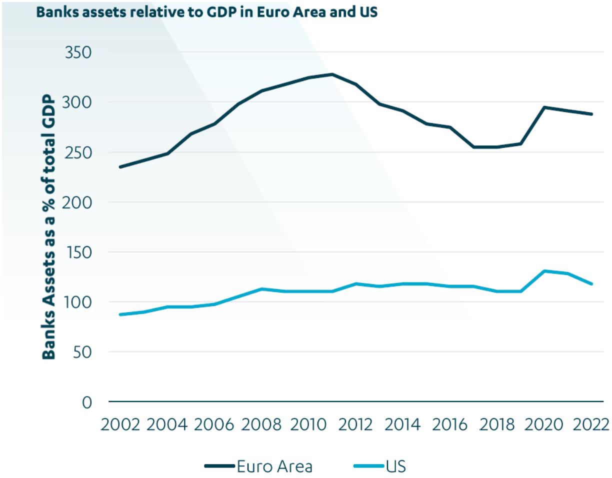
The European Banking Market

Size of the European Banking Market

The European banking market is large, fragmented and has a large number of banks, creating a disparate environment across countries with various regulatory and legislative frameworks that favors local and granular operations, with historical inefficiencies generating high volumes of non-core and non-performing credit assets.

The European banking market is, and has historically been, large in size, based on a comparison of total banks assets to the gross domestic product ("**GDP**"), particularly when compared to the U.S. banking market. According to the European Central Bank (the "**ECB**"), between 2002 and 2022, total banks assets as a percentage of total GDP in the Euro area grew from 240% in 2002 to 290% in 2022, with a peak in 2011 of almost 330%. Over the same period, the U.S. banking market grew from total banks assets as a percentage of total U.S. GDP of approximately 90% to approximately 120%.

The graph below shows the development of the European and the U.S. banking markets by total banks assets as a percentage of total GDP in the relevant region between 2002 and 2022.



Source: ECB, Banking Union and Financial Integration in Europe, April 2024.

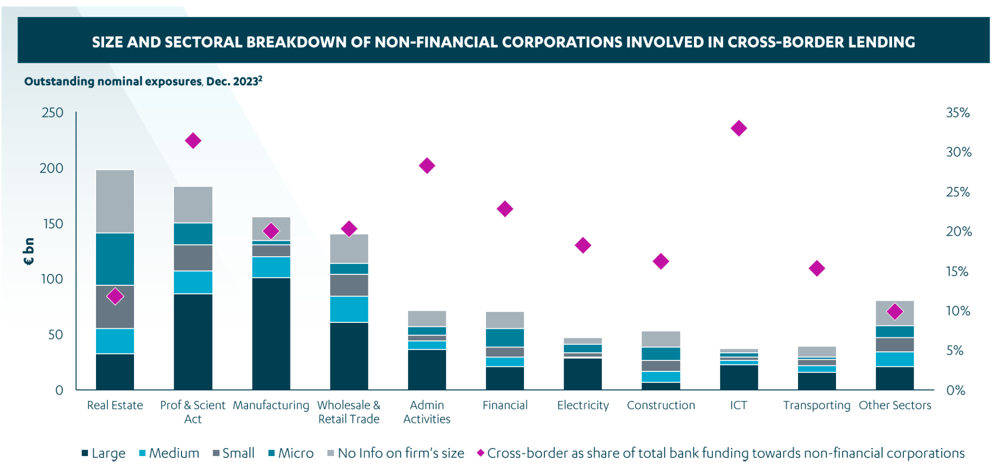
Localization and Fragmentation of the European Banking Market

The European banking market is localized and fragmented, driven by the number of countries within the European Union, the number of banks operating therein and a low volume of cross-border lending activity by such banks. As of May 2024, 27 countries were part of the European Union and, according to Statista, 4,866 banks operated within the European Union.

The total volume of lending by banks in the Euro area to non-bank borrowers increased by approximately 30%, from more than €12 trillion in 2008 to almost €16 trillion by the end of 2023. However, the volume of cross-border lending activity by such banks within and outside of the Euro area remained comparatively low, comprising, when taken together, less than 20% of the total lending volume. As of the end of 2023, cross-border lending within the Euro area was approximately €1 trillion, representing 6% of the total lending volume in the area, and cross-border lending to borrowers outside of the Euro area was less than €2 trillion, representing less than 12% of the total lending volume in the area.

This localization and fragmentation can be observed across various industry sectors of the European economy, including three sectors that are particularly relevant to our businesses (real estate, financial and construction). According to the ECB, as of December 2023, at approximately €200 billion, the real estate sector was the largest industry in terms of outstanding nominal exposure from bank lending. At the same time, real estate had the second lowest share of cross-border lending by banks of approximately 12%. As of December 2023, the financial and construction sectors had outstanding nominal exposures of approximately €70 million and €50 billion of bank lending, respectively, of which cross-border lending by banks represented approximately 22% and 15% respectively.

The graphic below shows various industry sectors, their respective outstanding nominal exposure from bank lending and their share of cross-border funding as of December 2023.

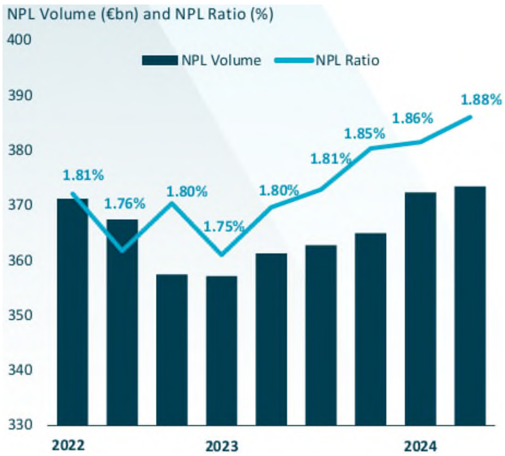


Source: ECB, Financial Integration and Structure in the Euro Area, June 2024.

Trends in the European credit and real estate markets

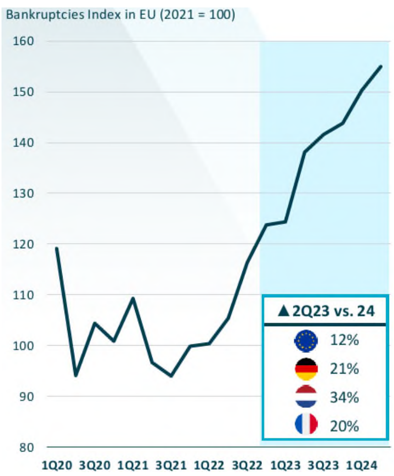
European Credit Market

According to the European Banking Authority, the aggregate volume of NPLs in the European Union has increased by approximately €15 billion, from approximately €355 million as of January 1, 2023, to more than €370 billion as of June 30, 2024. Over the same period, the NPL ratio in the European Union has increased from 1.75% to 1.88%, which was driven by the termination of COVID-19 pandemic-related government support measures and debt moratoria, as well as adverse macroeconomic conditions, leading to elevated interest rates and inflation.



Source: European Banking Authority Risk Dashboard.

According to Eurostat, the European market experienced an increased level of bankruptcies between the first quarter of 2021 and the second quarter of 2024 with an approximately 45% increase in number of bankruptcy declarations during this period. In the second quarter of 2024, declarations of bankruptcy increased by 12% in the European Union, 21% in Germany and 34% in the Netherlands, compared with the second quarter of 2023. As the number of bankruptcies in Europe are rising, companies are increasingly pressured to restructure and to dispose of their non-core assets.



Source: Eurostat data as of June 30, 2024.

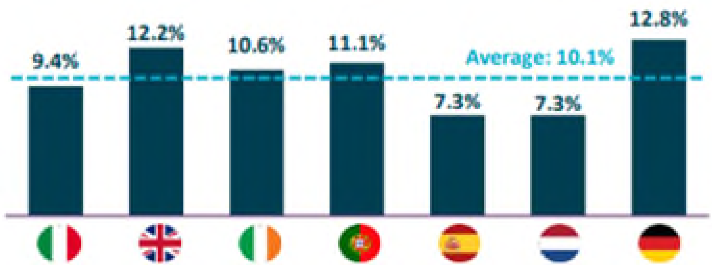
We believe that the secondary market NPL sales stabilized over the last two years, driven by an increasing number of aged portfolios linked to end-of-life debt funds, as well as larger financial institutions seeking to reduce their level of indebtedness and private equity firms selling their debt portfolios. We also believe that these factors, together with significant legislative efforts promoting transparency, data quality and efficiency in the secondary market, helped, and will continue to help, to stabilize NPL sales in the secondary market.

Furthermore, we expect further increases in NPL volumes in the secondary market as investors in European credit opportunities dispose of assets due to delays in expected collections, the complexity of assets that may require specialist recovery and their internal constraints. We also expect debt originators to continue to experience regulatory, balance sheet, corporate finance and other pressures that are likely to drive to dispositions of NPLs in the near term.

Our core geographies have been, and continue to be, some of the most active in NPL portfolio sales. Transaction activity in our core geographies (the United Kingdom, Ireland, Germany, Italy, the Netherlands, Portugal and Spain) since 2014 has been very high with over €500 billion of primary NPL portfolio sales across all markets.

We operate in countries with currently approximately €315 billion of NPLs remaining on banks' balance sheets. Our core geographies also have a NPL stage 2 ratio (as a percentage of total loans) that is, on average, higher than the European average. We believe this confirms the potential size and growth of primary NPL disposal transactions expected in the coming years.

The chart below shows the stage 2 ratios (as a percentage of total loans) across our core geographies as of June 30, 2024:



Source: European Banking Authority Risk Dashboard; UK data – PwC – European Portfolio Sales Market Update – (4Q23).

The main sellers of NPLs are banks (18 out of the top 20 sellers) and the main acquirers of portfolios are closed-end funds. This primary market activity in turn creates a large and attractive secondary market at the end of such closed-end funds' lives.

We believe that such closed-end funds seek to sell their portfolios at the end of their fund life, which will lead to the creation of a significant secondary market, of over €250 billion over the next five years in our core geographies. In many cases, the incumbent servicer is best placed to acquire these portfolios in the secondary market, given its knowledge of the portfolios' performance and the costs associated with changing a servicer.

European Real Estate Lending

The European real estate lending industry plays a critical role in financing the development, acquisition, and refinancing of real estate assets. The industry encompasses a wide range of lenders, including traditional banks, insurance companies and pension funds. Following the global financial crisis in 2008, regulations such as Basel IV have increased capital requirements, leading to more conservative lending practices and a focus on high-quality assets and borrowers. The tightening of bank lending has created opportunities for alternative lenders, including private equity firms and alternative lenders. According to Bloomberg Multiverse EUR Index, between 2015 and 2022, transaction volumes exceeded the ten-year average (2009-2018) by approximately €100 billion per annum with the period characterized by covenant lite borrowing, and the erosion of investor protections. Key market participants in real estate lending include traditional banks that historically focused on providing senior debt for commercial and residential real estate financing, whereas alternative lenders can often provide more flexible and bespoke financing solutions, including mezzanine debt, bridge loans and development finance.

Recent market dislocation and recessionary fears witnessed across Europe have had a profound impact on the financial system, and commercial real estate markets have not been immune to these macro headwinds. With inflation reaching 40-year highs in 2023, the ECB has adopted a prudent approach to reducing monetary liquidity by rapidly increasing interest rates, risking economic growth by thwarting the key drivers of GDP growth: personal consumption and private investment. As real estate sponsors and developers contend with surging financing costs, elevated operating costs and impairments in asset valuations their balance sheets have become increasingly strained. We expect this trend to persist especially considering the significant wall of maturing debt looming over commercial real estate markets.

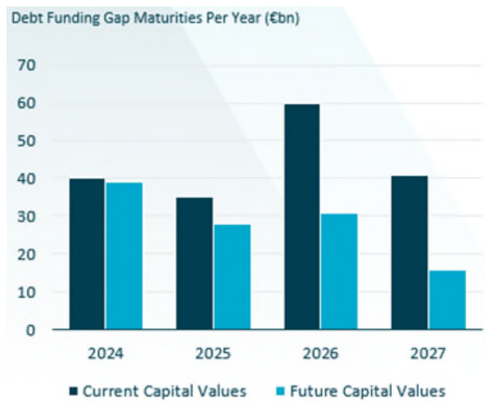
Demand for private credit

As traditional bank financing is drying up, private credit lenders are becoming key alternatives. The number of European banks has been decreasing over the last ten years with the remaining banks facing regulations limiting their financing appetite. For instance, the introduction of Basel III alone is estimated to reduce bank financing available for real estate-related needs by approximately €125 billion. With current geopolitical tensions, capital markets have remained volatile. These factors have led to an increase in the cost of bond financing, shifting companies' attention towards alternative lenders.

According to PGIM, non-banking lending accounts for approximately 15% of the of the roughly €2 trillion European CRE debt market as opposed to more than 50% in the United States. We believe that this gap between Europe and the U.S. is likely to narrow.

Source: [1] ECB, Total number of credit institutions (Jan-08 vs. Sept-24); [2] PGIM, April 2023; [3] Bayes Business School Commercial Real Estate Lending Report 2023; [4] Bayes Business School Commercial Real Estate Lending Report 2023.

In the current context of tighter lending conditions and high interest rates, the debt funding gap in Europe is likely to widen. CBRE estimates a debt funding gap of over €170 billion over the period 2024 to 2027 in Europe, and 27.5% of the debt originated during the 2019 to 2022 period to not be refinanced due to the changes in lending terms. When accounting for an improvement in market conditions, CBRE expects the debt funding gap to reach €114 billion over the 2024 to 2027 period. This gap could, however, be further widened by refinancing pressures and substantial amounts of maturing EU commercial real estate loans.



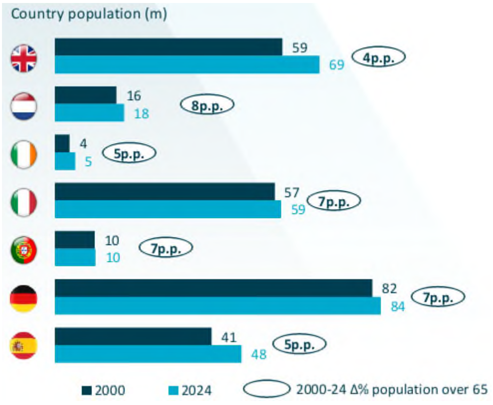
Source: CBRE – The debt funding of European real estate, December 2023.

The declining number of banks over the past decade and the volatility of capital markets have left a sizeable opportunity for the private credit industry.

Deficiencies on the supply side

As real estate financing supply is decreasing and demand continues to grow, overall lending terms are improving for lenders. Financing fees and margins have been stable in sectors such as ground-up development of multi-family residential build-to-rent, build-to-sell, purpose-built student accommodation, retirement living (including specialist care), co-living as well as hospitality and leisure (together the "**Living Sector**") in recent years while loan-to-value ratios have been steadily decreasing. Moreover, refinancing terms are positively supported by higher demand for longer base rates.

Demand in the Living Sector market is underpinned by macroeconomic tailwinds driven by increasing populations, expansion of the working population, ongoing urbanization, migration, decreasing average numbers of people per household, increasingly ageing populations and longer life expectancies. According to World Bank, in our core European geographies the population has increased by approximately 25 million, or 9%, since 2000, demonstrating the dual pressures from a reduction in the average number of people per household and an increase in average life expectancy. Construction completions have not returned to pre-financial crisis levels, a situation exacerbated by the dual impacts of the COVID-19 pandemic and the ensuing inflationary pressures and related cost increases across Europe.

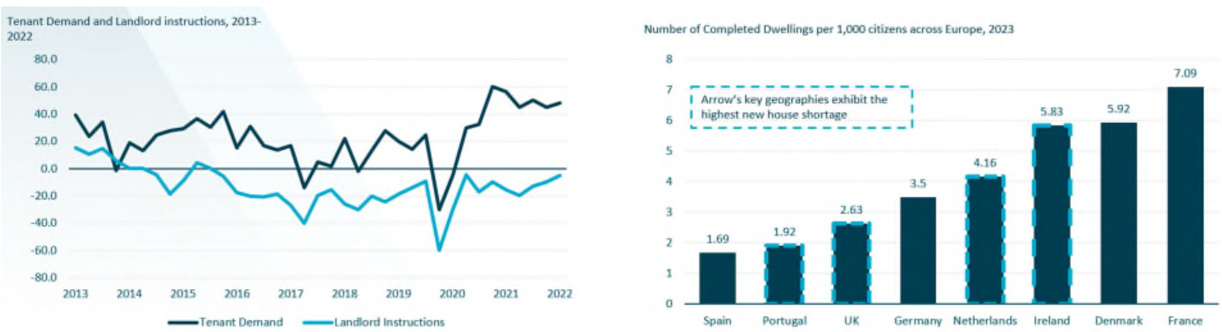


Source: World Bank Data as of August 2024.

Europe faces systemic housing shortages, attributable to several factors, in addition to the aforementioned tailwinds, including limited availability of developable and consented land, prohibitive planning systems and shortages of skilled labor. Construction activity across Europe has failed to match the soaring demand. According to Eurostat, almost 17% of the population in the European Union resided in overcrowded households in 2022, underscoring the severity of the situation.

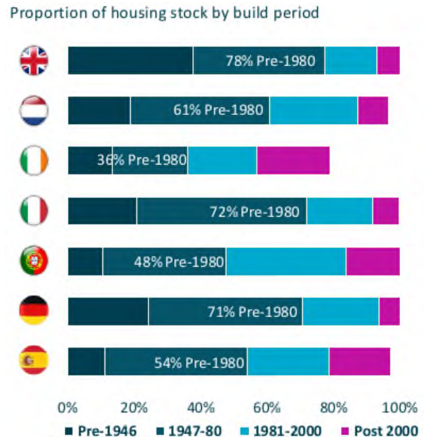
Governments across Europe are increasingly prioritizing housing supply and are seeking solutions to bridge the affordability gap. Nevertheless, net new build targets are consistently falling short of public commitments. The demand for housing in urban areas across Europe shows no sign of abating, with expanding working populations and ongoing urbanization driving household formation. According to the OECD, the resulting supply and demand imbalance continues to exert upward pressure on prices and rents and over the past decade, European house prices have surged by approximately 40%, while rents have increased by around 18%.

The structural undersupply of housing, coupled with high levels of demand across our core geographies, will support the origination of attractive financing opportunities and increased development projects across Europe. The gap between new tenant demand and supply has widened over the last ten years and key European markets have been experiencing low housing development intensity.



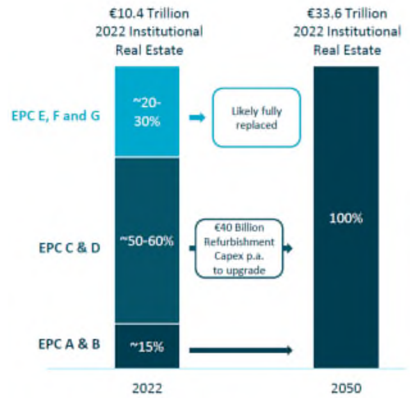
Source: Knight Frank Research, 2023; Deloitte Property Index: Overview of European Residential Markets, August 2023.

In addition to the supply limitations, European housing stock is deficient in quality and volume, as demonstrated by the proportion of pre-1980 built housing stock representing the vast majority of the current stock, creating a need for refurbishment and replacement.



Source: Eurostat EU-SILC 2015. Percentages do not all add up to 100.

Given the current focus of regulators on stricter Energy Performance Certificate (EPC) rating standards for rental properties and other energy efficiency initiatives, material refurbishment or replacements in real estate will be performed in the coming years to comply with the EU 2050 net-zero target and that these initiatives will further reduce the number of available homes, amplifying the supply shortage.



Source: PGIM, The Long-Term Funding Gap in European Real Estate, April 2023.

The demographic macro trends across our core geographies countries support an increase in demand for real estate projects, which, coupled with the current housing supply being inadequate, will lead to an increase of new opportunities in the real estate market.

European Real Estate Equity

The European real estate equity industry is a significant and dynamic sector that involves the investment in and ownership of real estate assets across various property types and regions.

This industry attracts a wide range of investors, including institutional investors, private equity firms, REITs, sovereign wealth funds and high-net-worth individuals. Institutional investors are primarily pension funds and insurance companies that tend to allocate substantial capital to real estate equity due to its potential for stable income and long-term capital appreciation. Investment Funds often focus on value-add and opportunistic strategies, seeking to enhance the value of properties through redevelopment, repositioning, or improved management, and typically invest through closed-end funds with finite lives, aiming to generate high returns through active asset management and eventual sale of the properties.

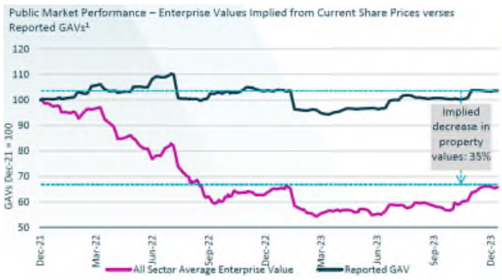
Downward pressures in European real estate

Market dislocation and recessionary fears across Europe are impacting real estate markets, driving down valuations. When interest rates increase, debt financing, particularly as part of an acquisition package, becomes more expensive. According to MSCI Real Assets and the Bloomberg Multiverse EUR Index, European real estate transaction volumes exceeded the 10-year average (2009-2018) by approximately €100 billion per year between 2015 and 2022, a period during which European bond yields and refinancing costs were relatively low. Between

2021 and 2023, European bond yields increased by approximately 250 bps from negative 125 bps to positive 125 bps and real estate transaction volumes decreased from approximately €380 billion in 2021 to approximately €120 million in 2023.

Source: Bloomberg Multiverse EUR Index, MSCI Real Assets, December 2023.

The higher interest rate environment created significant downward valuation pressure and liquidity challenges. Downward valuation pressure across public markets has not yet fully priced into private markets. According to Green Street, between December 2021 and December 2023, public real estate investment trusts (REITs) have traded down significantly, resulting in an implied decrease in property values of 35% in Europe. However, there is a disconnect between investors' sentiments and the speed at which managers are marking down the valuations of their underlying real estates.



Source: Green Street.

(1) All Sector Average Enterprise Values implied from current REIT prices and Reported GAV, as at the fourth quarter of 2023.

We believe that in the current high interest rate environment, causing elevated borrowing costs, we can expect a continued emergence of distress within the system. We believe that the capital market volatility and the lack of liquidity is commencing a period of re-pricing across real estate markets. While we do not expect to see a wave of wholesale distress, we expect the ongoing downward pressure on private asset valuations to result in selective distress in the near term. We believe this will present new opportunities for us.

BUSINESS

Overview

Founded in 2005 by Zachary Lewy, we are a leading European integrated fund manager. Our principal activities are to provide fund and asset management services to third parties and to invest capital across credit, real estate and lending investment strategies.

We operate 22 local platforms in the United Kingdom, Ireland, Spain, Portugal, the Netherlands, Italy and Germany, complementing central teams to provide fund management, asset management and servicing capabilities across Western Europe. While we predominantly fund our investment activity through commitments from Limited Partners, we also invest our own capital in our three investment strategies, primarily via co-investments in our discretionary funds (the "**Funds**"). We plan to continue to grow our earnings as an integrated fund manager, through increased income generated from management fees and performance fees from our Funds, together with stable servicing income derived from our asset management and servicing platforms and less of a dependency on our Balance Sheet segment - a plan which we refer to as our capital-light businesses model. See "*Business—Our Businesses*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model*."

As of September 30, 2024, we had €10.5 billion in funds under management ("**FUM**") and £1,177.4 million in estimated remaining collections over the next 84 months ("**84-month ERC**"). In the nine months ended September 30, 2024, we generated EBITDA from our Integrated Fund Management segment of £52.0 million, Adjusted Free Cash Flows of £192.2 million and deployed €1.25 billion across our Funds.

Our segmental reporting is split between Integrated Fund Management, Balance Sheet and Group. The activities within our Integrated Fund Management segment originate new investment opportunities that our Balance Sheet segment can co-invest into, thereby creating additional opportunities for our asset management and servicing platforms within our Integrated Fund Management segment to service such investments. The model drives increasing capital-light revenue streams, minimizes capital requirements and facilitates de-leveraging.

Integrated Fund Management

Our Integrated Fund Management segment includes our fund management activities, as well as asset management, sourcing and servicing activities offered through our various platforms. Our investment team has an extensive track record of successfully investing across credit, real estate and lending opportunities. As of September 30, 2024, including co-investments, we had €10.5 billion of FUM, including our flagship discretionary closed-end funds, ACO I, ACO II and AREO I. Our pan-European local servicing platforms service a significant portion of the assets of our Integrated Fund Management business, as well as our Balance Sheet business and third-party clients, such as other investment managers and banks. We continue to invest in our integrated fund manager model as we scale fundraising, investing and servicing capabilities across the credit, real estate and lending markets. Having developed our vertically integrated fund manager capabilities across multiple strategies, we aim to continue to grow our capital-light income from our local platforms to accelerate our de-leveraging strategy.

Balance Sheet

Our Balance Sheet segment comprises the investment portfolios purchased utilizing our own capital, including co-investments in our Funds (e.g. ACO I, ACO II and AREO I), and those made directly by us, predominantly comprising of our historic back-book. Our co-investment level is typically 25% of the total portfolio investment under ACO I, a level which we reduced to typically 10% under AREO I and ACO II, thereby further decreasing the capital requirement for the Group. Under our Balance Sheet segment, we now primarily co-invest in our Funds, as we believe this business model will ensure alignment with our Limited Partners' interests and, at the same time, drive growth in capital-light earnings.

Group

Our Group segment records costs relevant to overall oversight and control of the Group's activities.

Our business model

Since 2019, we have evolved from a multi-asset class and multi-geographical debt purchaser and servicer with small fund management operations, to a leading integrated fund manager in credit, real estate lending and real estate equity with a Western European footprint comprising 22 local platforms and operations across seven geographies. Our business model has evolved to focus on generating higher levels of capital-light revenue from our integrated fund manager operations as compared to revenue from our Balance Sheet segment. As a result, our business model is a comparatively less capital-intensive model than many other businesses that operate in the traditional credit management sector.

We have three core strategies: opportunistic credit, real estate lending and real estate equity, and we have raised discretionary funds from third-party LPs to execute on each. Across these strategies, investments can include secured and unsecured defaulted and non-core loan and real estate portfolios primarily from financial institutions, such as banks, institutional fund investors and specialist lenders, playing an active role in helping financial institutions reduce the size of their balance sheets and re-capitalize in order to increase mainstream lending. It also includes the origination of performing bridge, development and term loans as part of our real estate lending franchise that had raised €750 million by September 30, 2024. The local, on-the-ground presence and expertise embedded in our platforms allow us to access and manage a broad range of granular and mid-market asset-backed opportunities across a variety of sectors covering each of our three investment strategies.

Our hallmark is to invest opportunistically by moving between European geographies, asset classes and positions across the capital structure as we evaluate evolving risk and return dynamics. To execute this strategy, we have developed our geographic and asset-class expertise in our seven core geographies. This model offers an on-the-ground presence alongside a breadth of servicing capabilities and market visibility, which gives us a practical advantage when operating in fragmented European markets. Our asset management and servicing platforms generate differentiated opportunities through disciplined investing, underwriting insight and proprietary deal flow. We believe that our vertically integrated platforms provide us with an advantage over our competition and support our efforts to create long-term value through market cycles.

Our over 2,000 local professionals in the seven core geographies in which we operate are our key differentiator from other alternative asset managers. Over the years, we have brought together leading practitioners, both locally and centrally, in the European private credit, lending and real estate space. Through this combined local, on-the-ground presence and centralized capabilities, we have established strong connections with key players in these markets, facilitating our ability to source and execute off-market investment opportunities.

Our Strengths

We believe we benefit from the following key strengths:

A differentiated capital-light business model

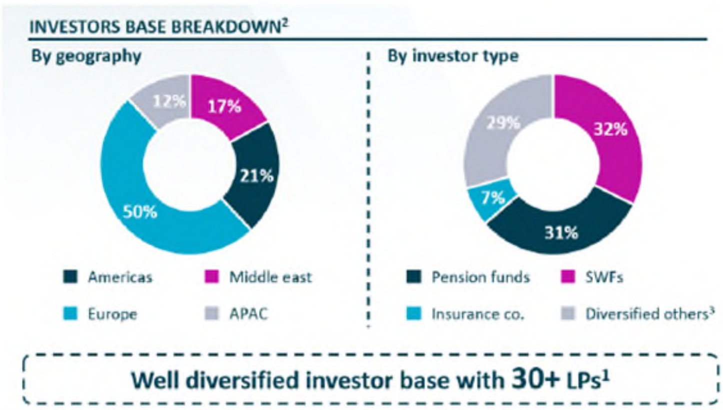
We believe we have a differentiated capital-light business model. Many traditional fund managers have a centralized investment team and a limited geographical presence in, and relationships to, markets outside of their home countries. This restrains not only their ability to make investments but they also tend to make large investments in a limited number of opportunities, regularly sourced in competitive auctions.

We rely on multiple scalable and market-leading local platforms in various countries that support a central investment team. We believe that our geographically diversified local platforms drive the success of our business model by having deep knowledge, expertise and relationships in each core geography, which allows us to originate off-the-market and aggregate smaller-sized deals in sophisticated granular asset classes, through which we seek to deliver higher risk-return profiles. Our localized presence enables us to source and originate investment opportunities, while also having an on-the-ground presence to service the investments.

By utilizing funding from our Funds' Limited Partners', we are able to generate capital light returns. Our Limited Partners' commitments are made in the discretionary Funds, in which our Balance Sheet business typically co-invests, and for which we aspire our local platforms to provide asset management and servicing and fund management services. Having completed our transition from a balance sheet-intensive debt purchaser to an integrated fund manager with local platforms, we believe we have a distinctive business model that separates us from competitors.

Strong fundraising track record

Since the launch of our first Fund (ACO I) in 2019, we have a strong fundraising track record with more than €5 billion of discretionary capital raised across our Funds. Our opportunistic credit Funds, ACO I and ACO II, have raised approximately €4.5 billion in aggregate, while our real estate equity Funds, AREO I and AREO II combined, and our real estate lending Fund, ALO I, raised approximately €160 million and €750 million, respectively. We were able to secure investments in ALO I from the Abu Dhabi Investment Authority, one of the world's largest sovereign wealth funds, which we believe underpins the success of our business model, and our investment track record. Our investor base is well diversified across different geographies and investor types, as summarized in the below chart.



Source: Company information.

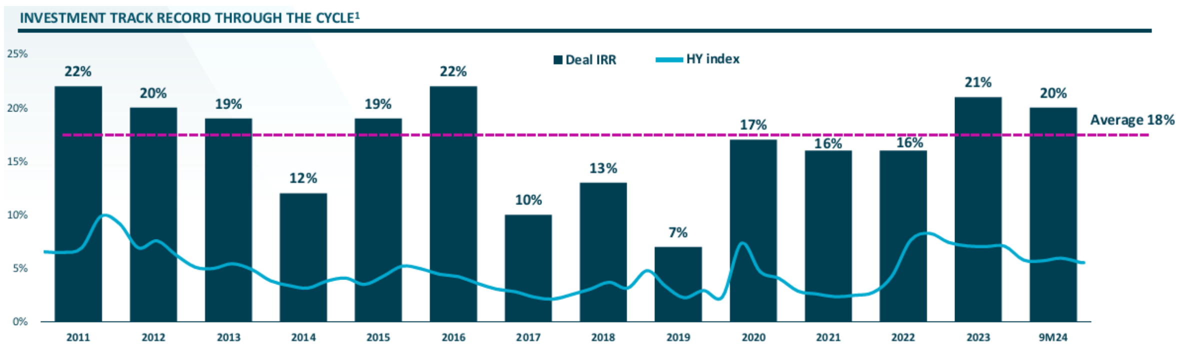
(1) Based on ACO I and ACO II.
(2) Based on Limited Partner commitments for ACO I, ACO II, and AREO as of December 31, 2023.
(3) Includes banks, asset managers, endowments, family offices, etc.

Our Funds have on average around 30 Limited Partners and approximately 40% of the Limited Partners invest in two or more Funds, with ACO II having achieved an approximately 100% re-investment rate from ACO I investors. Based on investments into ACO I and ACO II, the average commitment size for a Limited Partner is approximately €95 million. We believe that our strong track record is further supported by what we consider key performance indicators for Limited Partners, such as Net Deal IRR (see "—*Strong investment track record*.").

Strong investment track record

We have a track record of delivering strong returns at an average Net Deal IRR of 18% since 2011 (which is calculated for investment portfolios across Group and Fund investments, but excludes co-investments). Even during periods of economic dislocation, we were able to perform above the Bloomberg Euro high yield index, which supports our Funds' efforts to raise funds from investors.

The chart below shows our Net Deal IRR from 2011 to September 30, 2024 in comparison to the Bloomberg Euro high yield index during the same time and it shows that we were able to outperform the Bloomberg Euro high yield index each year during this period.



Source: Company information; Bloomberg Euro high yield index from January 2011 to September 30, 2024.

(1) Deal IRR represent returns before the allocation of management fees, fund expenses, SPV costs and any incentive fees or carried interest paid, accrued or allocated to the general partner or investment manager of the Funds and accounts. Deal IRR denotes the returns across Arrow and LP investments, excluding third-party co-investments. Average IRR calculated from 2010 to September 2024.

As of September 30, 2024, our opportunistic credit funds, ACO I and ACO II, delivered Net Deal IRRs of 16% and 20% (in each case, net of servicing costs), respectively. Limited Partners in ACO I have received €276 million in distributions to date, €180 million of which were paid in the first nine months of 2024.

We believe that the following four factors have been critical in establishing our track record of delivering high IRRs on our portfolio investments:

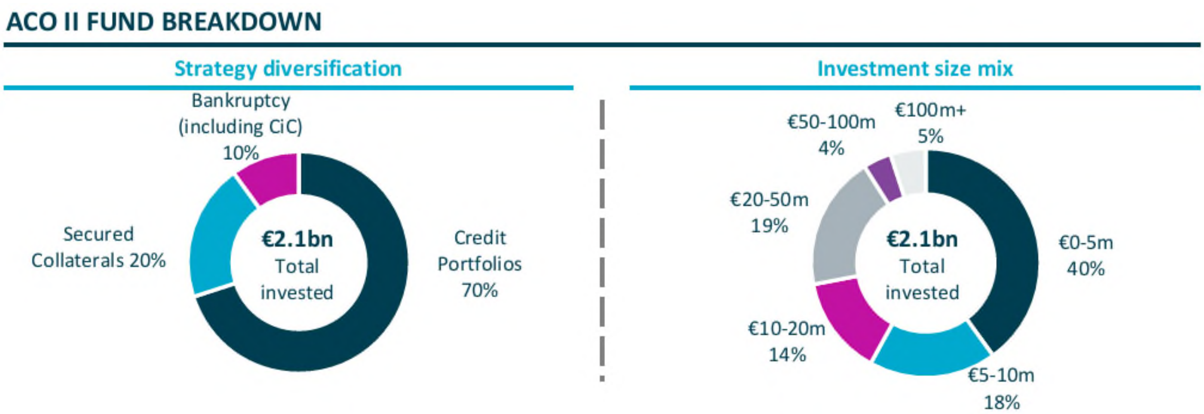
- professionals with significant experience and a deep bench of management experience;
- local expertise of acquiring and servicing a range of assets across attractive European markets;
- strong origination capabilities with broad reach allowing us to source a high level of granular, off-market deals; and
- leading central underwriting and data analytics capabilities, which enable us to price portfolios for the risk with accuracy.

Diversified investment strategies

Since 2019, we have evolved from a debt purchaser and servicer with small fund management operations, to a leading integrated fund manager in credit, real estate lending and real estate equity with a Western European footprint comprising 22 local platforms and operations across seven geographies. Our opportunistic credit strategy, which we pursue through our local platforms and co-investments in our two dedicated funds (ACO I and ACO II), focuses on performing and non-performing loan portfolios, bankruptcy situations and secured collateral. Our real estate lending investment strategy, supported by our discretionary fund ALO I and our co-investment therein, focuses on providing flexible financing solutions to real estate investors and developers, secured primarily on real estate assets, such as bridge loans, development loans and term mortgages. Our real estate equity investment strategy, which we pursue through and via co-investments in our AREO funds, focuses on granular or diverse properties and assets requiring capital and operating expertise, which we provide through our local platforms.

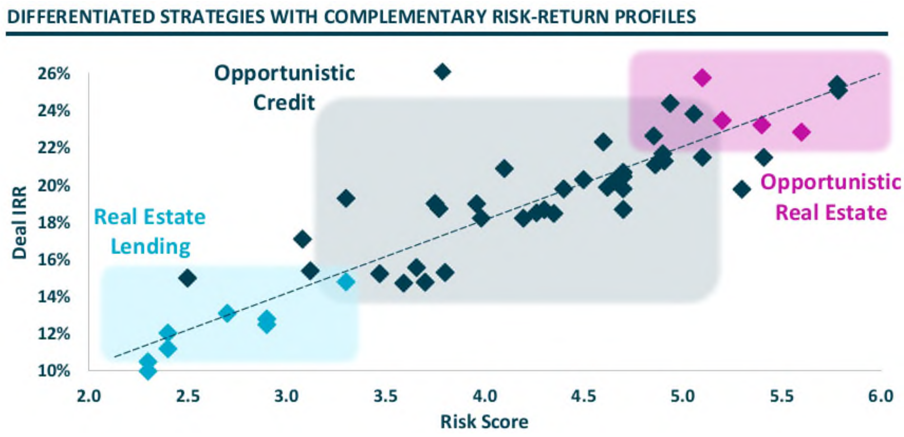
We believe that our relevant track record and experience having operated in each of our core geographies for a long time as well as our familiarity with each asset class provides us with a competitive advantage. In addition, our local presence enables us to target smaller transactions and aggregate opportunities in sophisticated granular assets where local knowledge provides a competitive advantage and supports the creation of relationships with debt originators. This enables our origination of off-market deals, which to date constituted approximately 78% of our deals based on total capital deployed (through our historic back-book and managed funds) since 2010, and allows us to avoid competitive bidding or an auction-like processes in some instances.

Our investments are broadly diversified both by strategy and by investment size. For example, as of September 30, 2024, more than 90% of the NAV of our investments by ACO II were secured by real estate or cash-in-court and over 55% of investments by value were small or granular (up to approximately €10 million per investment). The chart below shows a breakdown of total capital invested by investment type and size by ACO II as of September 30, 2024.



Source: Company information.

Our differentiated investment strategy also means differentiated risk-return profiles. While real estate equity provides the highest level of risk/Deal IRR profile of our three investment strategies, opportunistic credit represents a medium level of risk/Deal IRR profile and real estate lending the lowest risk/Deal IRR profile of our three investment strategies. The chart below depicts our Deal IRRs and the risk scores as of September 30, 2024 for a sample of our investments in 2024.



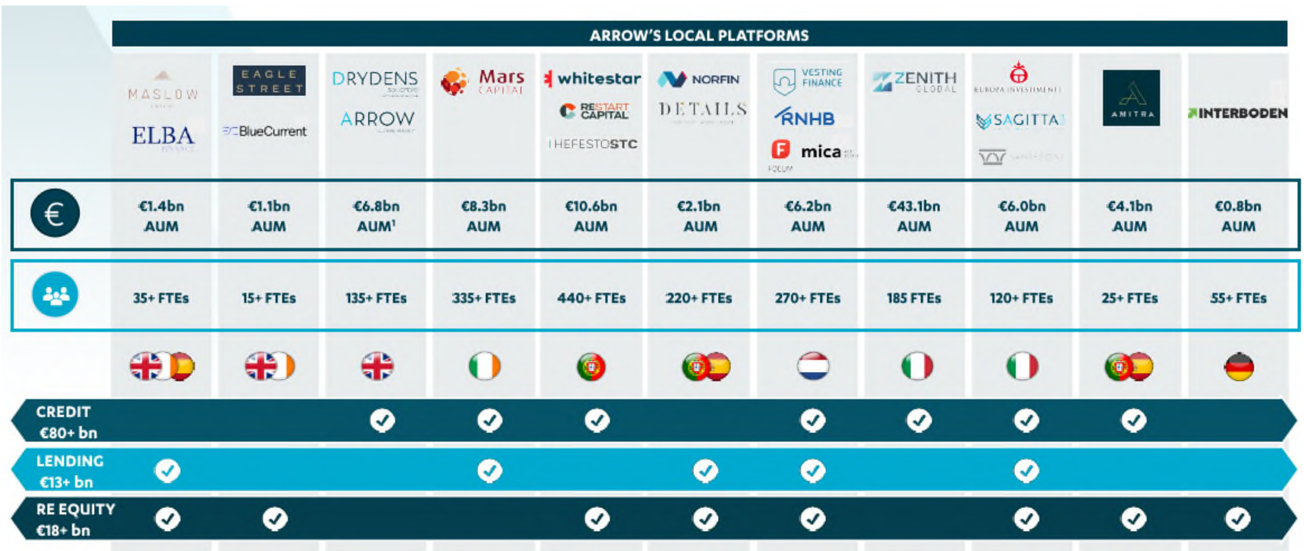
Source: Company information.

Our focus is on off-market and smaller-sized deals in sophisticated granular asset classes, through which we seek to deliver higher risk-return profiles.

Geographic diversification

We operate 22 local platforms in the United Kingdom, Ireland, Spain, Portugal, the Netherlands, Italy and Germany. Such geographic diversification mitigates our reliance on a single market. From time to time, we expand into select geographies that are either complementary to existing exposures and expertise, or where we believe that we can use the cross-border competencies of our existing platforms. We are well-positioned with an on-the-ground presence and operations in some of the largest European credit, real estate and other non-core asset jurisdictions. Moreover, we have a track record of operating in each of our core geographies and are familiar with each asset class that we invest in, supported by experienced local professionals on the ground, which provides us with a competitive advantage. Our local sourcing and servicing platforms focus on loan origination and underwriting, portfolio servicing and asset management. Our local platforms allow us to originate off-the-market and aggregate smaller-sized deals in sophisticated granular asset classes, through which we seek to deliver higher risk-return profiles.

Each of our local platforms has a distinctive positioning, targeting different countries and investment verticals, as summarized in the following chart.



Source: Company information.

(1) Including the contracts of Arrow UK Asset Management.

Attractive investment segments underpinned by strong fundamentals and growth drivers

We operate in a number of attractive market segments supported by positive underlying industry trends. For a discussion of the underlying industry trends across the market segments in which we operate, see "*Industry*."

Credit Opportunities

We believe the European opportunistic credit market is large, fragmented and overbanked, creating a disparate environment across countries with various regulatory and legislative frameworks that favors local and granular operations, with historical inefficiencies generating high volumes of non-core and non-performing credit assets that include European NPLs, non-core banking opportunities, certain real estate-related assets and other assets acquired out of distressed situations. As a result, many smaller-sized transactions often pass under the radar of larger funds, whereas our local platforms allow us to capture such transactions.

High interest rates and inflation are creating challenges for struggling borrowers to refinance debt initially incurred with lower interest rates, creating the potential for an increase of such non-core and non-performing assets in the short to medium term. Furthermore, increasing regulatory and supervisory pressure to limit banks' exposure to non-performing assets in recent years has been leading banks to sell such portfolios on a regular basis. Specific sectors, such as real estate, hospitality, and retail, which were heavily impacted by the COVID-19 pandemic, are more vulnerable. We expect higher generation of distressed credit opportunities in the real estate sector, as higher interest rates and costs have made debt repayments challenging for many borrowers.

Real Estate Lending Opportunities

Since 2008, there has been an increased demand for private credit, including in real estate lending. Attractive financing opportunities for high-quality borrowers are arising from banks' retrenchment and increasing regulation, including Basel IV capital requirements and EU 2050 net-zero targets. In particular, refurbishment or replacement of properties are an important step towards compliance with the EU net-zero targets, resulting in an increase in new developments and projects.

Moreover, we believe the industry's structural macroeconomic trends underpin increased demand. In the residential sector, for example, current European housing stock is deficient in quality and volume with a large proportion of existing housing being built prior to 1980 according to Eurostat. Supportive market trends also underpin demand for additional residential real estate. Demand has remained high due to population growth and the trend towards smaller household sizes, while increased life expectancy, urbanization, and migration has further contributed to this level of demand. According to Eurostat, the number of single adult households in the European Union increased by 21% between 2013 and 2023. According to the World Bank, across our core geographies, the population has increased by an average of 9% and life expectancy by 4.5 years since 2000. While governments have pledged to address housing shortages, the actual rate of housing completions has not kept up with demand.

Given these market opportunities, we seek to provide real estate lending solutions by offering borrowers a one-stop-shop across the entire life-cycle of real estate projects. Our core products comprise bridge mortgages ("**Bridging**"), development mortgages ("**Development Lending**") and medium-term stabilized mortgages ("**Term Mortgages**"). We focus on primary secured credit opportunities within the "living" real estate sector in our European geographies, which typically consists of multi-family residential build-to-rent, build-to-sell, purpose-built student accommodation, retirement living (including specialist care), co-living as well as hospitality and leisure assets.

Real Estate Equity Opportunities

The high interest rate environment since the COVID-19 pandemic has put significant downward pressure on real estate valuations. REITs suffered meaningfully during the central banks' recent tightening cycle, and a clear disconnect subsequently emerged between the Gross Asset Values reported by REIT managers and their underlying real estate valuations. The divergence between reported valuations and implied valuation has persisted for some time and serves as a further indicator of potential future stress to come. While it remains uncertain whether private assets will re-price to the same extent as public markets suggest, we believe, based on an implied decrease in property values of approximately 35% (albeit varying by property sector), that private real estate market valuations are likely to adjust further downwards. Transaction activity has been relatively subdued and this adjustment has yet to materialize, however, we are now beginning to see this dynamic unlock. A significant volume of real estate loans drawn in the era of cheap money are unlikely to be refinanced, putting pressure on recapitalization rates. This has increasingly caused sponsors and lenders with distressed properties in their portfolios to seek new capital solutions.

As the deleveraging of real estate markets continues, we expect that transaction volumes will return as bid-ask spreads gradually converge downwards. Opportunities are slowly resurfacing in our core geographies, many from distressed sellers grappling with debt refinancing issues or covenant breaches, and banks seeking to reduce their exposure to challenging loans. Despite the distressed nature of these sellers, we anticipate that many of the underlying assets supporting these opportunities are of high-quality, situated in strong locations requiring repositioning and operational improvements which prior owners were unable to finance. This is particularly true of assets in sectors where the interplay of supply and demand forces creates what we consider to be attractive investment opportunities, including in conventional sectors such as residential, infill logistics, leisure and hospitality, and other niche sectors such as data centers and interconnection facilities, student housing, and flexible living properties. Our Funds focus on the acquisition of properties, including but not limited to, multifamily apartment buildings, single-family homes, and for sale residential properties, where we seek to unlock value through operational improvements, asset repositioning and the successful execution of exit strategies.

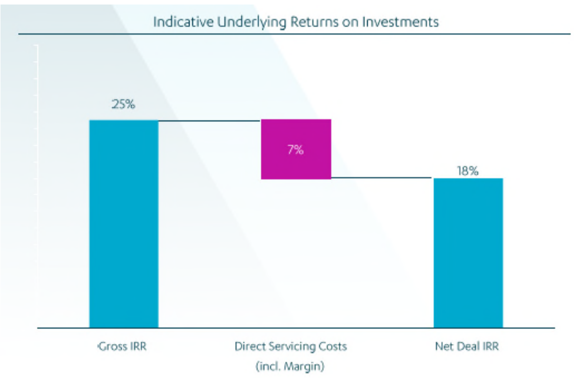
Our value-adding strengths across our three investment strategies

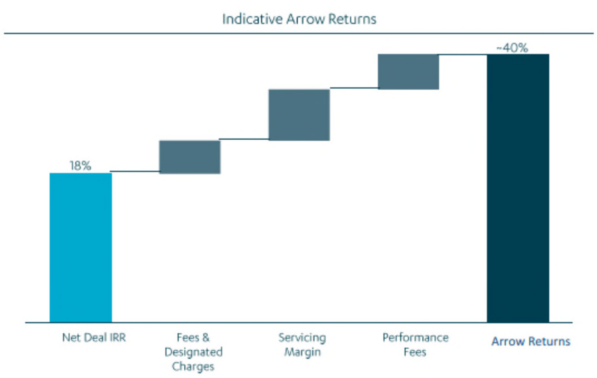
We have developed significant local know-how through our local platforms in the largest European NPL and non-core asset geographies: the United Kingdom, Ireland, the Netherlands, France, Portugal and Italy, and, more recently, Germany and Spain, two markets with significant NPL volumes. We have a strong track record of operating in each of these markets and across each asset class we invest in. Our business is bolstered by our experienced local professionals on the ground. We believe that our market-leading local platforms allow us to source potential market opportunities that are not available to our competitors. In addition, our origination capabilities allow us to target smaller transactions in sophisticated granular assets where the local knowledge provides a competitive advantage. As a result, we have fostered relationships that have allowed us to source approximately 78% of our portfolio from off-market deals based on total capital deployed (through our historic back-book and managed funds) since 2010.

Intrinsic benefits underlying an integrated fund management model

We have also been able to reap the intrinsic benefits underlying our integrated fund management model. Our co-investment level is typically 25% of the total portfolio investment under ACO I, a level which we reduced to 10% or lower under AREO I and ACO II (depending on the size of the investment), thereby further decreasing the capital requirement for the Group.

The charts below show indicative returns for a balance sheet investor with a Net Deal IRR of 18% and indicative returns for Arrow under our integrated asset manager model, showing higher Arrow returns driven by the capital-light returns of 30% (based on a 10% co-investment participation for subsequent funds), in each case, before any overhead allocation.





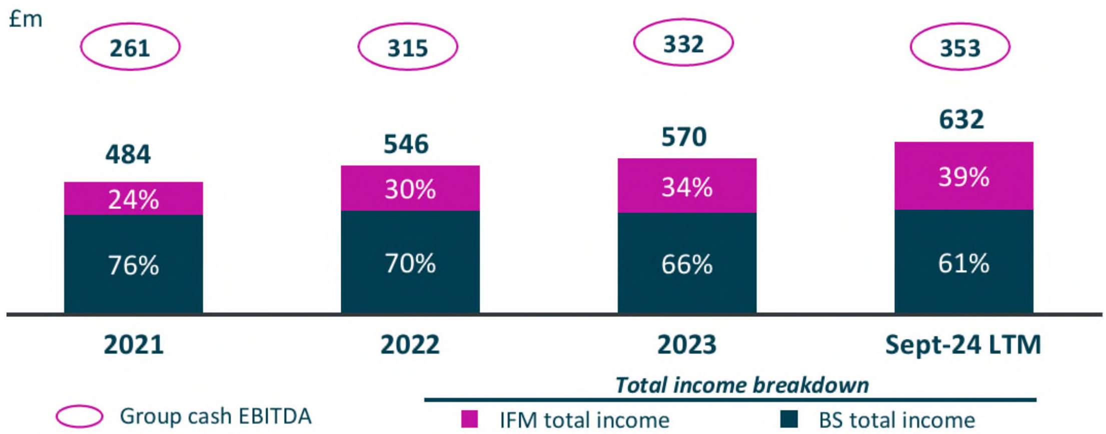
Source: Company information.

Strong Operational Delivery in Recent Years

The expansion of our capital-light servicing business, due to organic growth and successful M&A transactions, paired with the past success of our investment strategy and our co-investment strategy, have increased our revenue and cash flow generation capabilities.

For the twelve months ended September 30, 2024, capital-light income accounted for 39% of our total income, compared with 24% for the year ended December 31, 2021. We expect this to further increase given our strategic decision to end standalone on-balance sheet portfolio investments. Our current expectation is that we will primarily co-invest alongside Limited Partners across our Funds, thus limiting the capital intensity of our business. Our co-investment level is typically 25% of the total portfolio investment under ACO I, a level which we reduced to 10% or lower under AREO I and ACO II (depending on the size of the investment), thereby further decreasing the capital requirement for the Group.

The chart below shows the composition of our overall cash revenue since 2021.



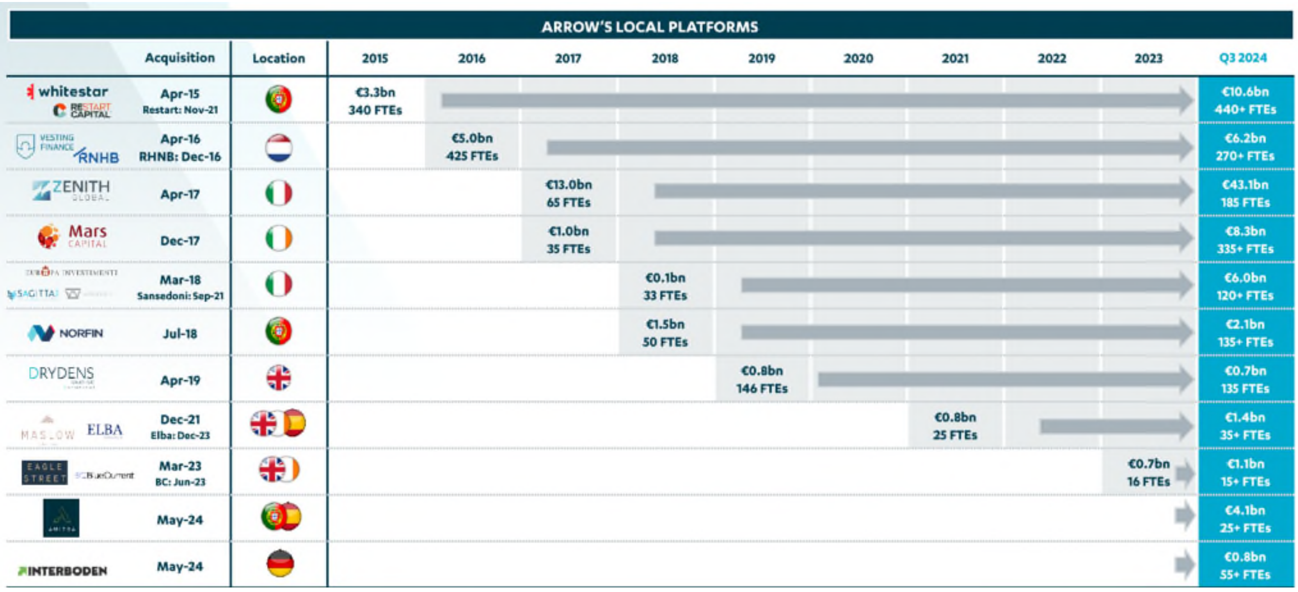
Note: "IFM" refers to our Integrated Fund Management business; "BS" refers to our Balance Sheet business.

Source: Company information.

Successful record in M&A and integration

Our growth, particularly in new geographies and investment capabilities, has been accelerated by a selective and disciplined M&A strategy. Since 2015, we have successfully completed more than 15 acquisitions. We consider acquisitions that we believe offer a strategic opportunity to accelerate our growth and that will generate high returns on investments. Recent acquisitions include Eagle Street and Details to support our real estate asset management business. With the acquisition of Interboden in June 2024, we entered Germany as our seventh geography. We strengthened our bridge lending capabilities by acquiring Maslow and Elba Finance. These acquisitions represent a diverse mix of geographies and expertise, allowing us to better service both existing and prospective investments.

The chart below sets forth our key acquisitions, as well as the corresponding AUM and full-time employees ("**FTE**") growth since 2015.



Source: Company information.

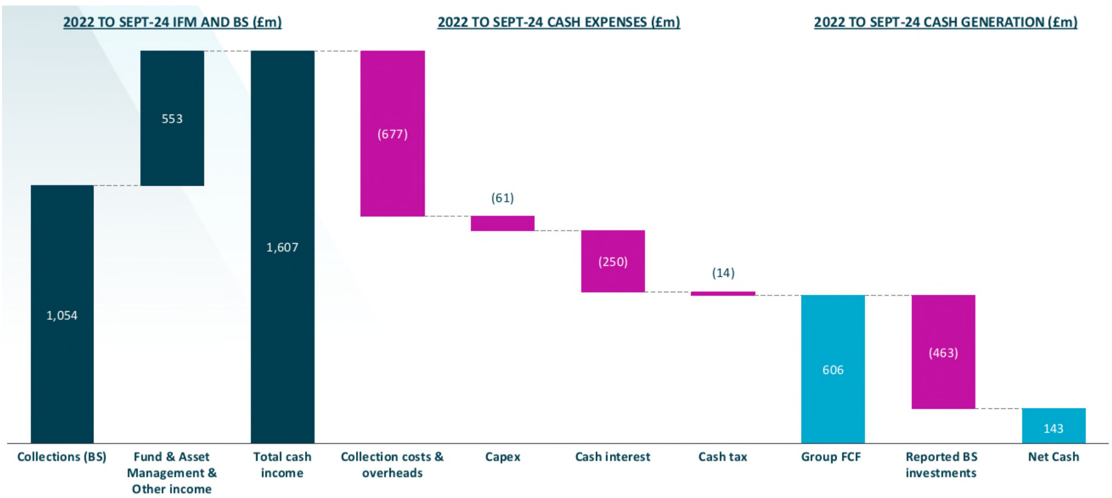
We believe this demonstrates our successful M&A track record to date.

Highly cash flow generative with conservative risk management

Our business model is highly cash generative and is underpinned by conservative risk management. During the nine months ended September 30, 2024, we generated £192.2 million (before Balance Sheet investments) of Adjusted Free Cash Flow. We recorded Adjusted Free Cash Flow of £210.2 million for the twelve months ended September 30, 2024.

We retain flexibility on the level of Adjusted Free Cash Flow that we reinvest in new portfolio acquisitions and, as such, are able to manage peaks and troughs in our liquidity requirements.

The chart below demonstrates the reconciliation of our Adjusted Cash Flow to net cash for the period from December 31, 2022 to September 30, 2024.



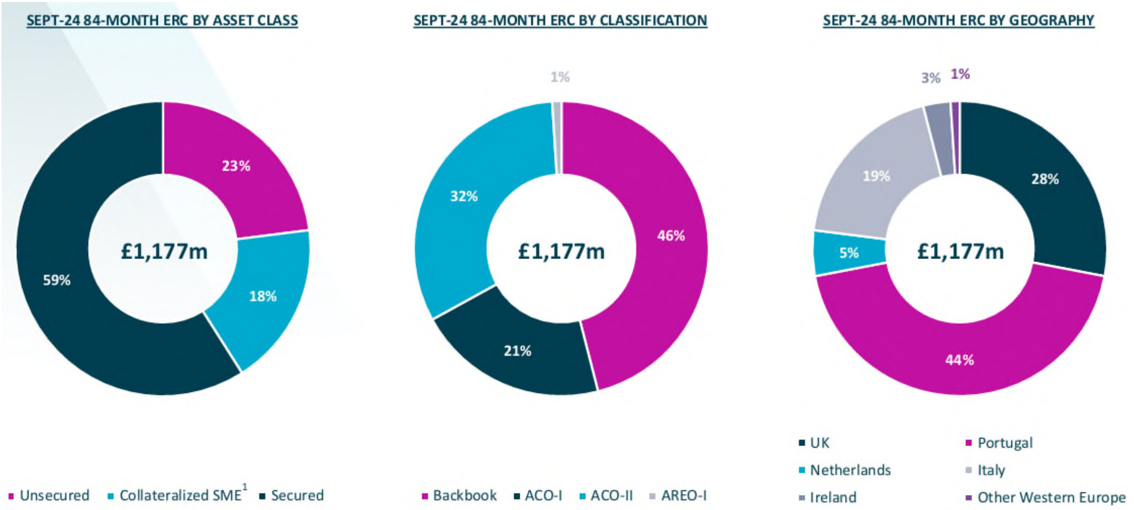
Source: Company information.

Strong and resilient balance sheet

We also benefit from a strong and resilient balance sheet, combined with strong collection performance. As part of our evolution as an integrated fund manager, under our Balance Sheet segment, we now primarily co-invest in our Funds. This co-invest model requires lower balance sheet investment volumes than our historic levels, which we believe will allow us to reduce Net Debt over the medium term.

Our balance sheet portfolios investments (including co-investments) are diverse in terms of asset class, classification and geography. As of September 30, 2024, 77% of our 84-month ERC is backed by secured assets and collateralized positions. Of our 84-month ERC as of September 30, 2024, 28% comes from the United Kingdom, 44% from Portugal, 19% from Italy, 5% from the Netherlands and 3% from Ireland.

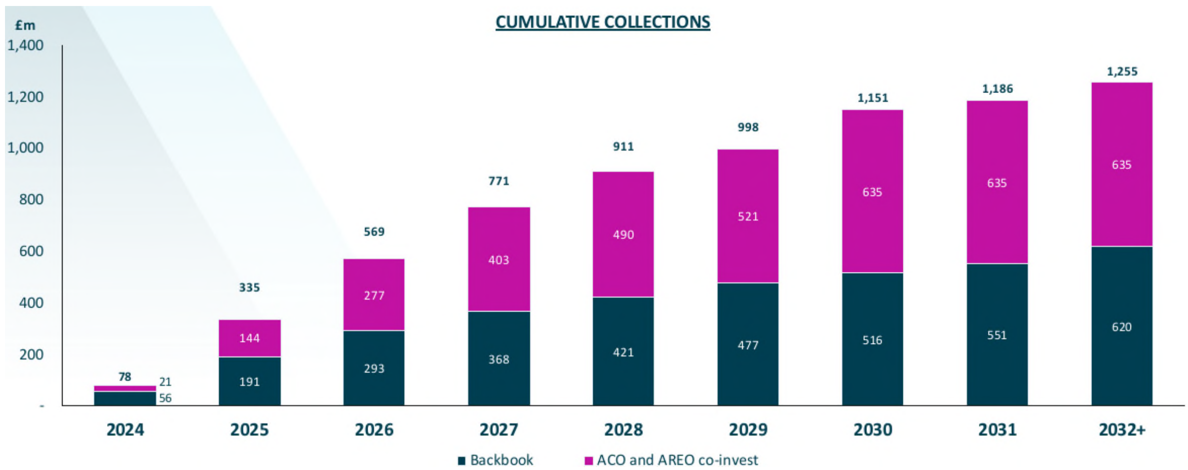
The graphics below provide further detail on the asset class, classification and geography of our portfolio investments as of September 30, 2024.



Source: Company information.

(1) Collateralized unsecured primarily represent claims in bankruptcy situations originated by Europa Investimenti.

Furthermore, our collection performance is strong and continues to be above 100% ERC. In the years ended December 31, 2021, 2022 and 2023, our Balance Sheet Cash Collections were equal to £367 million, £380 million and £375 million, respectively, and realized 112%, 109% and 133% of our 84-month ERC corresponding to the relevant period, respectively. As of September 30, 2024, our 84-month ERC stood at £1,177 million.



Source: Company information.

Strong and embedded governance model

We value the importance of good governance, including the regulatory environment in which we operate and with respect to our internal corporate governance.

In 2014, we implemented our first corporate social responsibility agenda, formalizing rules regarding the fair treatment of our customers. Over the years, we have joined various industry bodies and networks, including Cifas, the Finance and Leasing Association and the CSA, and further bolstered our customer engagement efforts in a deliberate effort to strengthen our appreciation of the vulnerability of some of our customers. In 2020, we introduced ESG standards across the Group that reflect our transformation to an integrated fund manager codifying responsible business practices, including the establishment of an Executive Sustainability and ESG Committee, promoting an inclusive organizational culture, and standards for responsible investing, including the introduction of ESG-focused memoranda into our investment process and the implementation of a data-driven sustainability development investment analysis. For more details on our ESG strategy, see "*—Environmental, Social and Governance ("ESG") focus driving better operational outcomes*" below.

To support our employees in anticipating and mitigating risks in our daily operations, we operate a "three lines of defense" model across our local platforms and centrally at the Group level, which formalized the basis around which we make and execute decisions while ensuring we maintain a focus on responsible lending, responsible operations and customer conduct issues throughout all parts of the business. This approach runs through our culture and values and, therefore, also manifests itself in the way we conduct our business. For more details on our regulatory environment and our three lines of defense model, see "*Regulation and Compliance—Our Risk Management and Compliance—Three lines of defense model*."

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

TDR Capital as a key supporting shareholder

Under the private ownership of TDR Capital, we accelerated our transition to an integrated fund manager model. We benefit from TDR's experience and we believe that TDR will facilitate to accomplish our identified strengths and further improve our business model.

TDR is a leading private equity firm with over €15 billion of assets under management and typically invests in strong European companies that are leaders in their markets. TDR has a 22-year track record of working collaboratively with portfolio company management teams to deliver on a shared vision for growth and value creation, leveraging its investment, operational and data science expertise. TDR not only invests capital in portfolio companies, but also provides expert team resources to help bring about sustainable, positive and transformational change within its businesses.

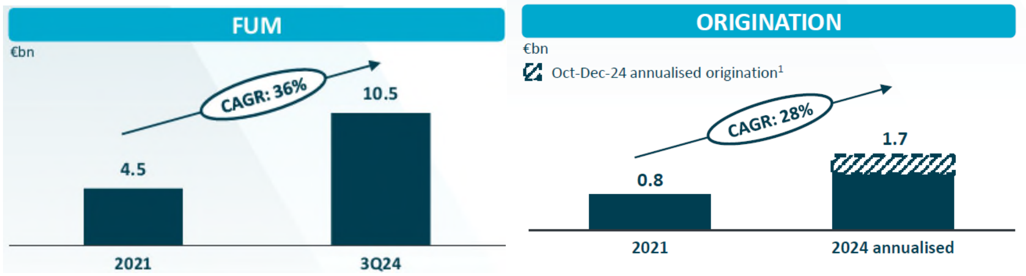
Our Strategy

Continue to scale our sustainable fund management platform

We consider the creation of the Fund Manager in 2019 and its development over the following years central to the fundraising for ACO I, ACO II, AREO I, AREO II and ALO I and critical to our transition of becoming an integrated fund manager with a capital-light business model. Our proposition to Limited Partner investors is both distinctive and attractive, given our track record over the last 20 years, our target of high-return niches in off-market trades, our use of knowledge, expertise and relationships in each core geography of our local platforms to drive performance, as well as our underwriting discipline.

As of September 30, 2024, our Limited Partners had a diverse geographical background, with 50%, 21%, 17% and 12% of our Limited Partners coming from Europe, the Americas, the Middle East, and other regions, respectively, and were diverse investor types, with 32%, 31%, 7% and 29% of our Limited Partners being sovereign wealth funds, pension funds, insurance companies and other investors, respectively.

Since our Acquisition by TDR Capital, our FUM has more than doubled from €4.5 billion as of December 31, 2021 to €10.5 billion as of September 30, 2024. Originations have almost doubled since the acquisition from €0.8 billion in the year ended December 31, 2021 to an annualized run-rate of €1.7 billion in the year ended December 31, 2024. While our total income were broadly flat from £331 million to £322 million between the year ended December 31, 2021 and the twelve months ended September 30, 2024, our "capital light" Integrated Fund Management segment's contribution to total income nearly doubled from 39% for the year ended December 31, 2021 to 69% for the twelve months ended September 30, 2024. During the twelve months ended December 31, 2023, our "capital light" Integrated Fund Management segment contributed 68% of our total income, while the Balance Sheet segment contributed 32% of our total income.



Source: Company information.

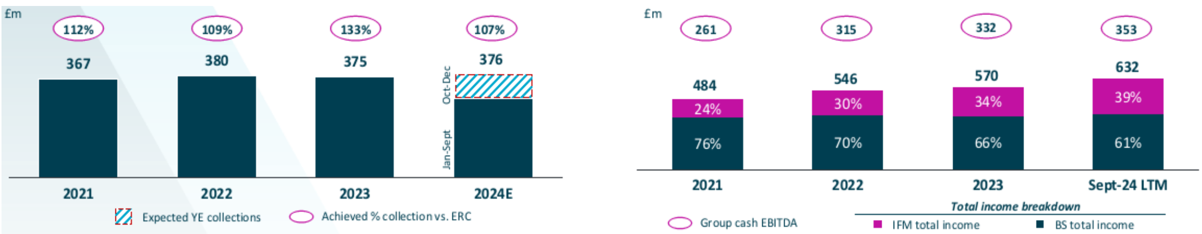
(1) October-December 2024 origination is calculated based on annualized origination from Janruary to December 2024 (€1.25 billion).

We have raised five funds and intend to raise additional subsequent funds, which we expect to be on a larger scale and we plan to further diversify our Limited Partner investors with the goal of reaching our FUM target of approximately €15 billion in the medium-term. We expect to commence the fundraising for our third credit opportunity fund, ACO III, during 2025. We aim for originations to almost double from current annualized levels of €1.7 billion to €3 billion in the medium-term. We believe that NAV will grow to more than €6 billion with an average return on co-invested capital by Arrow of 40% (including returns on fund co-investment and including management, servicing and performance fees, alongside balance sheet returns). This target is indicative and there can be no assurance that we will be able to achieve this target within the planned timeframe or at all. See "*Forward-Looking Statements*," "*Risk Factors—Risks relating to our Business, Industry and Regulations—Poor performance by our Funds may adversely affect our management fees and carried interest*" and "*Risk Factors—Risks relating to our Business, Industry and Regulations—This Exchange Offer Memorandum includes forward-looking statements, certain projections, targets and assumptions in forecasts that involve risks and uncertainties*."

Deleveraging our business

By scaling our capital-light business, we have deleveraged our business and we are committed to continuing to delever our business further in the future.

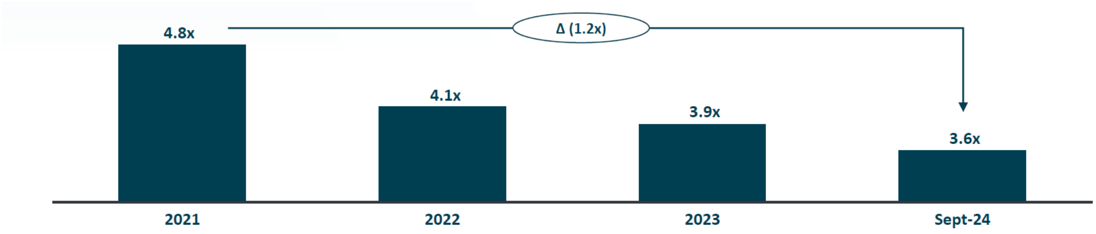
Our collection performance is strong and continues to be above 100% ERC. In the years ended December 31, 2021, 2022 and 2023, we realized 112%, 109% and 133% of our 84-month ERC corresponding to the relevant period, respectively. At the same time, we increased the capital-light businesses' percentage of cash revenues from 24% in the year ended December 31, 2021 to 34% in the year ended December 31, 2023 and to 39% in the twelve months ended September 30, 2024.



Source: Company information.

(1) As of September 30, 2024.
(2) Based on October to December 2024 ERC of £78 million

Strong Balance Sheet Cash Collections combined with a growing capital-light business model allowed us to reduce our Secured Net Debt to Adjusted EBITDA ratio from 4.8 times as of December 31, 2021 to 3.6 times as of September 30, 2024.



Source: Company information.

Having completed the transition to becoming an integrated fund manager business, we are aiming towards further reducing our Leverage to 3.0 times over the medium term. This target is indicative and there can be no assurance that we will be able to achieve this target within the planned time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks relating to our Business, Industry and Regulations—This Exchange Offer Memorandum includes forward-looking statements, certain projections, targets and assumptions in forecasts that involve risks and uncertainties.*" We believe that our shift to an integrated asset manager model has demonstrated our ability to increase our earnings through the growth in our capital-light businesses, without the need to grow our balance sheet. We believe that this will continue to lead to our ability to reduce our Leverage and Net Debt and, thereby, improve our financial profile.

Credit and Real Estate Investment Strategy – Prioritize investments in high-value, granular niche products in our core geographies whilst creating opportunities for platform servicing revenue

We intend to continue our investment strategies by focusing on non-core and distressed credit assets, including NPLs and bankruptcies. Our granular investment approach allows us to reposition or repurpose underinvested assets that have the potential to create additional value. It also focuses on selective exposure to specialized and fragmented asset classes with stalled development, and real estate properties that can be aggregated to facilitate arbitrage opportunities. Additionally, we are able to offer synergies through the fund and asset management services of our local platforms. Our local operating teams are experienced and have expertise in our local markets and the asset classes in which we operate.

We continue to seek off-market investment opportunities (with approximately 78% off-market deals based on total capital deployed accounting for investments on behalf of Arrow (through our historic back-book and managed funds) and fund investments since 2010), utilizing our origination capabilities, relationships and local knowledge. This allows us to expand our investments despite rarely participating in auction processes. We specifically target small deals in sophisticated granular asset classes, with an average deal size of less than €15 million, and aim to complete deals for a price below par. By targeting such opportunities, we aim to maximize reward in relation to risk and create a competitive advantage over other players in the market.

Real Estate Lending Investment Strategy – Our offerings in real estate lending allow us to act across the entire lifecycle of real estate projects

Our real estate lending investment strategy focuses on proprietary, secured credit investments in the living sector. We seek to benefit from the mid-market financing gap which we believe has been left by the retreat of traditional lending banks due to regulatory capital pressures.

Our platforms provide us with on-the-ground origination capabilities due to our local presence and relationships in each of our core geographies. Our approach is tailored to address the capital needs of the real estate sector by providing full life cycle real estate lending solutions. For borrowers with short-term liquidity requirements, we provide bridge financing (30-45% target allocation) with an average term of one year. Bridge lending solves time sensitive funding needs as it allows transactions to be closed in less than four weeks and is often used to finance property refurbishments projects, acquisitions or energy efficiency enhancements. This type of lending can help solve short-term liquidity needs during the property vacancy and income stabilization phase of a project. We also provide development lending (30-45% target allocation) with an average loan term of two to three years for borrowers with medium-term funding needs to allow developers to deliver their projects. Development lending is often used to provide capital for land acquisition, construction costs, interest capitalization and fees. Development loans are drawn in arrears with milestones and covenants to protect lenders. For longer-term ownership needs or special situations, we provide stabilized mortgages (10-25% target allocation) with a longer average term. Stabilized mortgages are a longer term financing option commonly used to assist with the acquisition of cash flow generative properties or to refinance recently completed developments where sponsors are looking to retain the asset and require time to maximize occupancy and net operating income. Between January 2010 and September 2024, we have a track record, which incorporates period prior to ownership of certain platforms by Arrow, covering over 27,750 loans across all three lending strategies with approximately €15.8 billion aggregate value. On average, each investment of our Funds is below €5 million.

We focus on capital preservation by participating in fully secured lending with conservative LTVs of around 60-65% against real estate assets. We also aim for greater target allocations for short and medium term lending with higher average target returns at 12-15% and 14-16% gross investment level IRRs respectively. Moreover, we believe our investments have attractive risk/adjusted returns driven by increasing base rates being passed through and recycling potential due to shorter dated instruments. We also maintain a strong distribution profile with structuring fees, interests and shorter-term investments providing for quarterly cash distributions and faster return of capital post-investment period.

Real Estate Equity Investment Strategy – Extensive work-out and restructuring capabilities through our history as a distressed investor to implement meaningful value-add and repositioning strategies of real estate equity assets.

Our aim is to generate opportunistic returns by acquiring granular assets and off-the-run properties by focusing on small-mid cap investments which historically have outperformed large-mega cap investments by approximately 3% regardless of the market cycle. We source such investments through our on-the-ground origination capabilities from our local platforms, facilitating access to the highly fragmented and localized markets.

We seek to identify and capitalize on thematic investment opportunities within the real estate market. Many of these opportunities involve using our extensive work-out and restructuring capabilities we have acquired over our history as a distressed investor and repositioning or re-purposing underinvested and well-located assets with value creation potential. We look to participate in recapitalization transactions, which involve restructuring the capital structure of existing real estate projects, or entities, with high-quality underlying assets that are facing de-leveraging events. This may include providing fresh equity or debt capital to stabilize distressed assets to bridge financing shortfalls upon loan maturity, facilitate ownership changes, or optimize capital structures to seek to enhance returns. We believe recapitalizations offer the potential to unlock value by addressing capital constraints and improving the financial health of underlying properties, the level of indebtedness of which we believe is too high or that we believe are undercapitalized.

We also target further investment opportunities. For example, we seek to identify and acquire "stranded" real estate assets which we believe have unrealized potential trapped in complex ownership structures, including funds, special purpose vehicles and side pocket vehicles owned by non-natural owners of real estate. These assets may be overlooked due to mismanagement, lack of capital investment, or market dislocation. Through active management and strategic repositioning, our Funds aim to unlock value by supporting the income-generating potential or the redevelopment opportunities of these assets. We may also look to other types of opportunities such as lenders with newly owned foreclosed properties, failed processes and pulled auctions, or go-private style transactions, among others.

Through all of these strategies, we expect to identify high-quality properties and acquire them at discounted prices.

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

Through our governance, organizational structure and technology, we seek to create an organization that can adapt to change and remain agile to capitalize on new market opportunities. Our leaders and personnel are the core of our organization. We promote flexible working structures, as well as robust training and development. We continue to strengthen our top and middle management and have made a number of key hires from other alternative asset managers and other financial institutions over recent years.

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

We are committed to being a responsible business and investor that engages with its stakeholders on material sustainability matters, including ESG issues. Our focus on ESG is firmly embedded in our purpose and culture and we believe this focus will drive better operational outcomes. In 2021, our Fund Manager became a signatory to the UN Principles for Responsible Investment ("**PRI**"). To embed the principles of the UN PRI into our investment processes, a ‘Responsible Investment Policy’ was formally approved by our Fund Manager’s board in 2022 which was further updated during 2023. Our approach to responsible investment is consistent throughout selection of investment opportunities, the ongoing portfolio management and stewardship practices and through to the point of exit where applicable. During 2023, our Fund Manager completed the annual reporting process to the PRI for the first time and has received positive scores reflecting the high level of focus placed on governance and oversight throughout the investment process.

In 2023, we formalized our Sustainability & ESG Forum into a Sustainability and ESG Committee, further embedding sustainability into our governance model. The Committee is comprised of members of the Group’s Executive Leadership team and chaired by Monique O’Keefe, Chair of AGG Capital Management and Chief Risk & Governance Officer. See “*Business—Environmental, Social and Governance*.” Our investment and underwriting professionals are responsible for incorporating material ESG factors into the underwriting of each investment in a manner consistent with our ‘Responsible Investment Policy’ and other applicable documents, including governing documentation entered into with Limited Partners, and applicable law.

The environmental component of our ESG strategy focuses on the evolution and development of our internal policies and due diligence standards, coupled with our ambition of net-zero carbon dioxide emissions. ESG factors are integrated into our investment evaluation and ongoing portfolio management processes, and we currently make disclosures in accordance with Article 8 of the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088). We believe this is consistent with our aim to support positive change in the local environments and communities influenced by our investments.

Additionally, regulators require assurance over firms’ policies, processes and practices and will act against firms that are non-compliant. Customers expect fair outcomes, whilst portfolio sellers and third-party asset management clients often require assurance that their customers will be handled responsibly and, therefore, acting responsibly is increasingly becoming a competitive advantage. We recognize this, and the primary focus of the social component of our ESG strategy is ensuring fair customer treatment and customer satisfaction. Further, we aim to maintain our commitment to diversity and inclusion and building a human-centric workplace and provide a positive work environment by supporting a diversity of working styles and appealing to a wider talent pool while retaining talented people who want autonomy and choice.

As to the governance component, we believe our risk management framework will deliver greater accountability and improve performance as we seek to create an efficient organization that can adapt to change and remain agile to capitalize on new market opportunities. We have vertically re-aligned our governance structure by empowering our local platforms with accountability over their activities undertaken locally and monitoring and assessment of the local regulatory and legal requirements.

The graphic below sets out our memberships, partnerships, key achievements and recognitions.

Source: Company information.

Our History and Development

Founded in 2005 by Zachary Lewy, we are a leading European integrated fund manager. We have grown significantly over three key strategic periods. From 2005 to 2013, Arrow grew as a balance sheet investor in NPLs, primarily in the United Kingdom. From 2013 to 2019, Arrow, as a publicly listed company, became an integrated acquirer and servicer of NPLs and non-core portfolios across a number of European countries. Since 2019, Arrow has transitioned to become a leading integrated fund manager in Western Europe.

Establishing Arrow as a balance sheet investor (2005 – 2013)

Arrow Global Guernsey Holdings Limited ("**AGGHL**") was established on October 8, 2008, as the subsidiary of Arrow Global Financial Services ("**AGFS**"), a leading U.S. debt purchaser that was founded in 1961 as a debt collection agency ("**DCA**"). In 2004, AGFS was acquired by SLM Corporation (commonly known as Sallie Mae), a Fortune 500 financial services company, and in 2005, Zachary Lewy founded Arrow Global in the United Kingdom. In 2006, we formed a joint venture with RBS Equity Finance to purchase defaulted consumer debt portfolios in the United Kingdom, and in 2009, the Group was acquired as part of a leveraged buyout by the RBS Special Opportunities Fund. We grew to become a leading debt purchaser in the United Kingdom, and in 2009, we expanded our portfolio purchasing activities to Portugal.

In October 2013, we successfully completed an IPO, securing a Premium Listing on the main market for listed securities and admission to trading on the London Stock Exchange.

Establishing Arrow as an integrated acquirer and servicer of NPLs and non-core portfolios (2013 – 2019)

Following the expansion of our debt purchasing activities into Portugal, we started to acquire asset management and servicing platforms.

- In April 2015, we acquired a minority stake, and in April 2017, we acquired the remaining majority stake, in Silver Parallel S.A. (the parent company of Whitestar Asset Solutions, SA ("**Whitestar**"), a leading Portuguese company in the management and recovery of credit and real estate portfolios).

- In May 2016, we acquired InVesting B.V. and its subsidiaries, which included Focum ("**Vesting Group**"). This acquisition added approximately 502,000 customer accounts with a face value of €663 million as of December 31, 2015. Vesting Group is an established credit servicing company operating in the Netherlands and subject to AFM supervision.

- In September 2016, in partnership with CarVal Investors, we acquired RNHB Hypotheekbank ("**RNHB**"), which focuses on residential buy-to-let and commercial real estate lending.

- In April 2017, we acquired the Zenith Global S.p.A. (formerly known as Zenith Service S.p.A. ("**Zenith**," and with its direct and indirect subsidiaries "**Zenith Group**") in Italy. Zenith is a leading service provider in structured finance transactions in Italy.

- In November 2017, we acquired Mars Capital Finance Limited ("**Mars Capital UK**") and Mars Capital Finance Ireland Designated Activity Company ("**Mars Capital Ireland**" and, together with Mars Capital UK, "**Mars Capital**"), a mortgage servicing business with operations in the United Kingdom and Ireland. Mars Capital Ireland is an Irish platform specializing in primary and special servicing of performing and non-performing residential loans.

- In April 2017, we acquired Hefesto STC, SA ("**Hefesto**"), which is an independent credit securitization company in Portugal, registered with the CMVM and subject its supervision.

- In March 2018, we acquired Europa Investimenti S.p.A. ("**Europa Investimenti**"), a leading operator in distressed and special situation investments in the Italian market. Europa Investimenti invests in Italian companies through the administration and bankruptcy process administered by the Italian courts, and acquires both assets and NPLs related to distressed companies.

- In July 2018, we acquired Norfin Investimentos, S.A., which owns Norfin - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., a major fund manager (*sociedade gestora de grande dimensão*) operating in Portugal and regulated to manage mortgage undertakings for collective investment by the CMVM ("**Norfin**"). Together with our Whitestar platform, this acquisition allows us to offer a comprehensive set of servicing solutions to investors in Portugal.

- In April 2019, we acquired Drydens Limited, operating as Drydens Solicitors ("**Drydens**"), one of the largest law firms in the United Kingdom focused on the recovery of debt. This acquisition broadened our UK range of servicing capabilities and skills across consumer and commercial litigation, probate and insolvency.

Establishing Arrow as a leading Western European integrated fund manager (Since 2019)

Following our expansion from a UK unsecured debt purchaser to a multi-asset class and multi-geographical debt purchaser and servicer with small fund management operations, we had the necessary capabilities to build fund management infrastructure. In December 2019, we launched our first discretionary closed-end fund, ACO I, a pan-European non-performing loan fund. In November 2020, we announced final close of the fundraising for ACO I, with total capital commitments of €1.7 billion, including our investment.

On October 11, 2021, we were acquired by TDR Capital. Under the private ownership of TDR Capital, we accelerated our transition to an integrated fund manager business model.

- In September 2021, we acquired Sansedoni Siena S.p.A ("**Sansedoni**"), a commercial real estate management platform, from Banca Monte dei Paschi di Siena.

- In December 2021, we acquired an initial 49% ownership in Maslow Global Limited ("**Maslow**"), which was a specialist asset manager, focused on the origination, underwriting, risk management and servicing of real estate development and bridging loans, predominantly in the living sector. We acquired the remaining 51% of Maslow in June 2023.

- In 2022, we completed the first close of our ACO II fund, and by year-end had raised capital commitments of €1.9 billion. Further, we deployed capital amounting to €0.8 billion across ACO I and ACO II.

- In the third quarter of 2022, we expanded our origination and asset management capabilities through a bolt-on acquisition of Details Sports and Leisure ("**Details**"), which was a Portuguese hospitality asset manager.

- In March 2023, ACO II held its final close and was recognized as the largest European distressed debt fund and the fourth largest debt fund globally for the first quarter of 2023.

- In March 2023, we acquired Eagle Street Partners Group Limited ("**Eagle Street**"), an asset management platform, focused on real estate investment strategies and building vertically integrated operating platforms to support its strategies in the United Kingdom and Ireland.

- In June 2023, we raised funds amounting to €110 million for our discretionary Real Estate Equity Fund, AREO I.

- In June 2023, to align with our strategic transition to an integrated fund manager business model, we divested from Mars Capital UK and the Capquest group, an established participant in the UK debt purchase and outsourced collections market, initially acquired by us in November 2014, as well as 50% of the wholly owned unsecured back book in the United Kingdom.

- In July 2023, we acquired Blue Current Capital Ltd ("**Blue Current Capital**"), an ESG-focused real estate asset manager dedicated to the development of electric vehicle (EV) charging hubs.

- In February 2024, ACO II acquired a majority stake in AFE S.A. Sicav-Raif ("**AFE**"), a European investment fund focused on, among others, non-performing loans.

- In March 2024, we acquired Amitra Capital ("**Amitra**"), a Spanish master servicing platform specialized in managing complex European non-performing loans, and real estate investments, from Canada Pension Plan Investment Board ("**CPP Investments**") and created the foundation for future collaboration with CPP Investments, focusing on both current and prospective investment opportunities. With the acquisition of Amitra we entered Spain, our sixth geographical location.

- In June 2024, we acquired the operating platform and assets of Interboden GmbH & Co KG and certain of its subsidiaries ("**Interboden**"), a leading real estate business in Germany specialized in residential development. With this acquisition, we entered Germany, our seventh geographical location.

Our Businesses

We operate 22 local platforms in the United Kingdom, Ireland, Spain, Portugal, Italy, the Netherlands, and Germany, complementing central teams to provide fund management, asset management and servicing capabilities across Western Europe. We differentiate our business model with the following key characteristics:

- Vertically-integrated business model: Each of our platforms has a local, on-the-ground presence that enables us to source and originate investment opportunities and to service our investments;

- Western European coverage: The fragmentation of markets across Europe, with their varying regulations, customs and local market dynamics, creates significant value-generation opportunities from smaller, off-market investments that can be sourced and serviced locally, which we achieve through our focused presence in select Western European geographies; and

- Collateral-backed: We specialize in capturing value through investments that typically have some form of collateral, usually real estate, with a focus on residential or more granular collateral which reduces the risk profile of our investments.

Through the combination of our local platforms and central expertise, our business is able to generate strong returns and diversified revenue streams, including fund management and servicing fees.

Our Investment Strategies

We focus on three investment strategies that we refer to as our investment verticals, which follow the integrated fund manager business model, and are as follows:

- Opportunistic Credit: Our opportunistic credit strategy focuses on the acquisition of performing and non-performing credit portfolios, bankruptcy situations and secured collaterals secured primarily on real estate assets;

- Real Estate Lending: Our Real Estate Lending strategy focuses is an asset-backed lending strategy which seeks to provide flexible debt and/or debt-related financing solutions; and

- Real Estate Equity: Our Real Estate Equity strategy is an opportunistic real estate equity strategy, focused on granular or diverse properties, assets that need capital and operating expertise, which we source through our local platforms.

Opportunistic Credit

Our investment strategy for credit opportunities is designed to focus on granular off-market opportunities, comprising European non-performing loans, non-core banking assets, certain real estate-related assets, secured collaterals and other assets acquired out of distressed situations, within our core geographies. Our approach is opportunistic and utilizes our proprietary business model and local credit services to provide an exclusive source of off-market opportunities, local knowledge advantage and the ability to select and access assets.

In terms of market dynamics, Europe is a large, fragmented and overbanked market, characterized by historical inefficiencies that produce high volumes of non-core and non-performing credit assets. Additionally, the current economic climate of elevated interest rates and refinancing pressures contributes to localized market dislocations, increasing the demand for liquidity and creating additional opportunities in our focus areas. We also benefit from significant secondary market opportunities as other non-performing loans managers divest acquired portfolios and seek liquidity. See also "*Industry—The European Banking Market—Size of the European Banking Market.*"

We believe that our local platform franchise model is well suited to react to market opportunities. We have over a decade of experience in identifying platforms that offer access to high-value, niche market areas and strong on-the-ground investment initiation capabilities due to our local presence and robust local relationships.

We differentiate our value proposition from those of our competitors by using the following approach to originate and conduct our business:

- Local, relevant and multi-asset: We have 22 local platforms, across seven geographies and over 2,000 full time employees with deep expertise with broad, in-country coverage of banks, originators, sponsors, servicers and advisers.

- Granular: We undertake small and large transactions, with an average loan size of less than €15 million across our diversified and differentiated credit opportunities portfolio. We are flexible in terms of availing investment opportunities, and invest with or without joint venture partners.

- Off-market: The majority of our acquisitions are off-market (i.e., acquisitions are generally not sourced through auctions or other processes involving competitive bidding) and we often focus on portfolios with a shorter weighted average life. We focus on repeat clients with proven investment outcomes to maximize returns and minimize execution risks.

- Price discipline: Our investment approach places a strong emphasis on purchasing investments at a reasonable price and with a view to maximizing returns. As of September 30, 2024, 62% of our approximately 1,500 completed deals were priced below par.

As of September 30, 2024, under our investment strategy for credit opportunities, we had €85 billion of AuM, 12 local platforms and over 1,500 professionals operating across seven core geographies. Our local servicing platforms service a significant portion of our investment portfolios under credit opportunities, as well as that of third-party clients such as other investment managers and banks. In addition, under our Europa Investimenti platform (specialized in debt opportunities relating to small and medium-sized enterprise and real estate assets), which includes Sagitta (a fund manager regulated by the Bank of Italy), we manage investment portfolios under credit opportunities as a fund manager. Our central team have also invested through our Funds and been part of the restructurings in publicly traded securities, such as AFE S.A. SICAV-RAIF and iQera group.

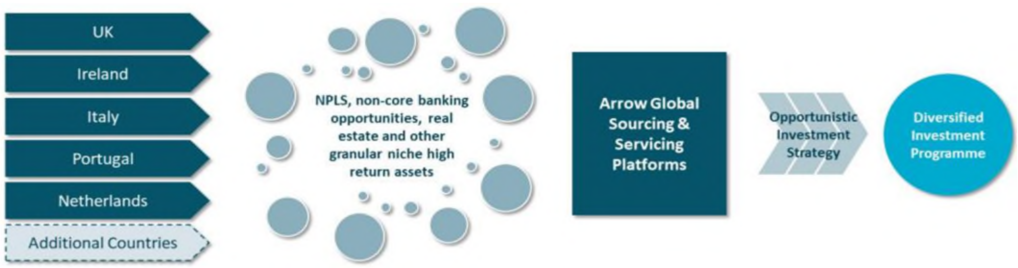
We have established two funds which are dedicated to our credit opportunities strategy:

ACO I: In 2019, we launched ACO I, which closed in 2020 with €1.7 billion of commitments. As of September 30, 2024, ACO I's total investments were €2.1 billion, representing more than 350 investments, which included investments across credit portfolios, bankruptcy, secured collateral and other strategies. ACO I is now fully committed and we are beginning to focus on realizations.

ACO II: In 2022, we completed the first close of ACO II (together with ACO I, the "**ACO Funds**"), raising capital commitments of €1.1 billion. ACO II held its final close on March 31, 2023 and raised an additional committed capital of €1.6 billion. ACO II was recognized as the largest European distressed debt fund and the fourth largest debt fund globally as of March 31, 2023. As of September 30, 2024, ACO II's total investments were €2.1 billion, representing 110 investments, which were predominantly originated off-market.

Investment Strategy

Our ACO Funds investment strategy leverages our proprietary business model of owning and operating the leading "local" credit servicers within our core geographies, which provides the Fund Manager with an exclusive source of niche opportunities, a local knowledge advantage and the ability to assess and select assets from a broad range of credit opportunities, such as European NPLs, non-core banking opportunities, certain real estate related assets and other assets acquired out of distressed situations. The investment strategy provides the investors with the opportunity to participate in our Europe-focused network for sourcing and pricing investment opportunities and in servicing, managing and exiting credit opportunities in our core Western European geographies.



Real Estate Lending

Our investment strategy for lending opportunities is designed to focus on primary secured credit opportunities within the "living" real estate sector in our European geographies, which typically consists of multi-family residential build-to-rent, build-to-sell, purpose-built student accommodation, retirement living (including specialist care), co-living as well as hospitality and leisure assets ("**Living Sector**"). We provide full-life-cycle real estate lending solutions (i.e., from strategizing to providing returns) to address the capital needs of the real estate sector. Under this strategy, we aim to deliver consistent, market-leading risk-adjusted returns with environmental, social and governance ("**ESG**") considerations embedded in our decision-making process.

In terms of market opportunity, in recent years, there has been an increase in demand by high-quality borrowers for private credit arising from retrenchment and increased regulation of traditional financing sources. Stringent lending requirements and intrinsic volatility of the markets, driven by recent geopolitical tensions, has created an opportunity for other lenders to act and increase their market share in a segment characterized by attractive return levels. Further, the Living Sector has seen an increase in demand for new development and refurbishment projects. Attractive financing opportunities and lower loan-to-value ratios also support attractive risk adjusted returns. See also "*Industry—Trends in the European credit and real estate markets—European Real Estate Lending*."

We benefit from on-the-ground origination capabilities due to our strong local presence, relationships, experienced senior investment team with a track record of over 20 years and capabilities to assist the borrower as a one-stop-shop across the entire life-cycle of real estate projects. This provides us with a competitive advantage over other market players.

Our core products comprise bridge mortgages ("**Bridging**"), development mortgages ("**Development Lending**") and medium-term stabilized mortgages ("**Term Mortgages**"). All the lending we engage in is secured. Under our Arrow Lending Opportunities investment vertical, as of September 30, 2024, we had over €13 billion of AuM and over 900 professionals operating across seven core geographies.

We recently formed ALO I, to provide prospective investors with the opportunity to invest in what we believe is an attractive proprietary investment program focused on providing asset-backed financing secured primarily on real estate assets. In 2024, we completed the first close of our ALO I Fund and by September 30, 2024, we raised total Limited Partner commitments of €750 million. We are in the process of investing the funds.

Investment Strategy

Our ALO I Fund acts as a provider of financing solutions across Bridging, Development Lending and Term Mortgages as well as other real estate backed opportunities that the Fund Manager determines are suitable for the fund from time to time primarily across our core geographies. The strategy for our ALO I Fund is largely focused on first lien mortgage lending secured on multi-family residential build-to-rent, build-to-sell, purpose-built student accommodation, retirement living (including specialist care), co-living as well as hospitality and leisure where we have significant operating and investing. All lending is secured with conservative LTVs of around 60-65% against real estate assets.

In addition to investments in Bridging, Development Lending, Term Mortgages and other real estate backed opportunities in the Living Sector, the Fund Manager opportunistically considers investments (both on a primary and secondary basis) in different funding and loan origination structures and instruments in our core geographies that are consistent with the objective of delivering attractive risk adjusted returns.

Real Estate Equity

Our investment strategy for real estate equity is designed to focus on acquiring granular, off-the-run properties typically in the "living," infill logistics, leisure and hospitality sectors that have meaningful potential for value addition and repositioning. We typically source these properties locally through our own local platforms from stressed sponsors or lenders, capitalizing on opportunities that arise from market dislocations and stressed situations to secure valuable investments.

In terms of market opportunities, the current environment of high interest rates poses several liquidity challenges for companies. As companies face difficulties in handling their refinancing processes, due to lack of interested parties and higher cost of funding, the underlying valuation of many companies decreases. See also "*Industry— Trends in the European credit and real estate markets—European Real Estate Equity*." Under our

Real Estate Equity investment vertical, as of September 30, 2024, we had €18 billion AuM, over 1,100 professionals and operated across seven core geographies.

We have established two funds which are dedicated to our real estate equity strategy:

AREO I: In June 30, 2023, we closed our first opportunistic real estate fund, AREO I with a total capital commitment of €110 million. As of September 30, 2024, AREO I's total investments were €78 million, representing 6 investments, which included predominately granular and small-to-mid-market investments sourced through our local platforms.

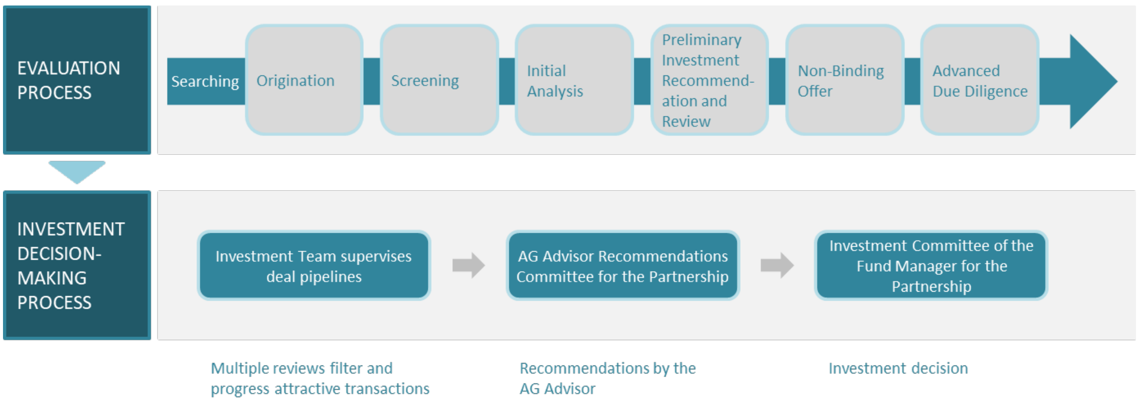
AREO II: We recently formed AREO II (together with AREO I, the "**AREO Funds**"), to provide prospective investors with the opportunity to invest in equity investments in real estate and real estate related assets (including developed and undeveloped real property). AREO II fund is currently fundraising.

Investment Strategy

The investment strategy of our AREO Funds is identifying and exploiting local market inefficiencies and dislocations, with a focus on value-added and opportunistic control investments in direct real estate. The Fund Manager employs a fundamental, analytical and underwriting process and utilizes its industry relationships and expertise to identify attractive investments and create value in real estate assets including developed and undeveloped real estate. The investment strategy focuses primarily on financially distressed real estate in major cities in Portugal, the United Kingdom, Ireland, Italy, the Netherlands, Spain and Germany and other geographies in which our sourcing and servicing platforms have relevant experience. Asset selection focuses on directly or indirectly acquiring high-quality real estate or real estate-related assets at discounts to replacement costs or intrinsic value and/or high yields on cost, with clear turnaround or value-add strategies.

The Fund Manager's approach to driving value post-acquisition is multifaceted and typically involves a combination of operational improvements, cost savings, and strategic initiatives. The Fund Manager takes an active approach in managing the real estate investments, working closely with our local platforms and other stakeholders to identify areas for improvement and to implement strategies to drive value. This may include renovating properties to increase their appeal to tenants, renegotiating leases to improve rental income, or restructuring property management to improve efficiency. In addition to operational improvements, the Fund Manager may also pursue strategic initiatives such as developing new properties or acquiring properties that are adjacent to properties already owned to create larger, more valuable assets.

Investment Process of our Funds



Through our Fund Manager, we follow a disciplined, systematic investment evaluation process, which utilizes expertise from different areas of the business and extensive historic data and can be split into two steps: the "*Evaluation Process*" and the "*Investment Decision-Making Process.*"

The Evaluation Process. We draw upon the experience and resources of our local platforms and the central investment team and consider a broad range of factors during the Evaluation Process. There are multiple stages to the Evaluation Process, typically including most of the components or stages below:

- *Origination*: we have a dedicated origination team that, with the assistance of local on the ground personnel across our local platforms, has access to a wide range of relationships and sources of potential investment opportunities.

- *Screening*: our investment team typically conducts an initial screening evaluation of each opportunity identified through the origination process outlined above in order to determine whether or not such opportunity is in line with our investment strategy, risk appetite and target returns. The investment team also considers whether the opportunity could be serviced by the Group, or whether a third-party service provider will be required.

- *Initial Analysis*: if the investment team determines, that an opportunity should be pursued, they conduct an initial analysis in order to formulate the optimal plan for conducting a more detailed assessment of that opportunity.

- *Preliminary Investment Recommendation and Review*: our investment team prepares a preliminary investment recommendation for consideration by Arrow Global Adviser Limited (the "**AG Advisor**") on behalf of the Fund with respect to potential participation in the transaction. If the AG Advisor approves the preliminary investment recommendation, then it will proceed through to the non-binding offer stage.

- *Non-Binding Offer*: a non-binding offer typically includes the following details: (i) an indicative purchase price for the opportunity, (ii) details of additional diligence requirements, (iii) confirmation of approvals already obtained and (iv) an overview of the portfolio servicing strategy to be implemented if the opportunity is acquired.

- *Advanced Due Diligence*: we adhere to a disciplined and comprehensive diligence process that is driven by our deep knowledge of the market, data access, experience and other relevant points of reference. We believe that efficient due diligence is conducted both by reference to proven, traditional checks and information as well as insightful, bespoke and transaction-specific inquiries. In particular, we determine our diligence approach in light of the asset type, proposed transaction structure, location of the asset and other relevant investment considerations. Once due diligence is complete, our investment team and the manager team prepare a final investment committee memorandum for the investment committee of the Fund Manager (the "**Investment Committee**").

The Investment Decision-Making Process. Extensive due diligence is typically conducted once the borrower and the lender are working together exclusively, and the Fund Manager has a high level of conviction that the potential investment is appropriate for the Fund before committing to the next stage (subject to due diligence and contracts):

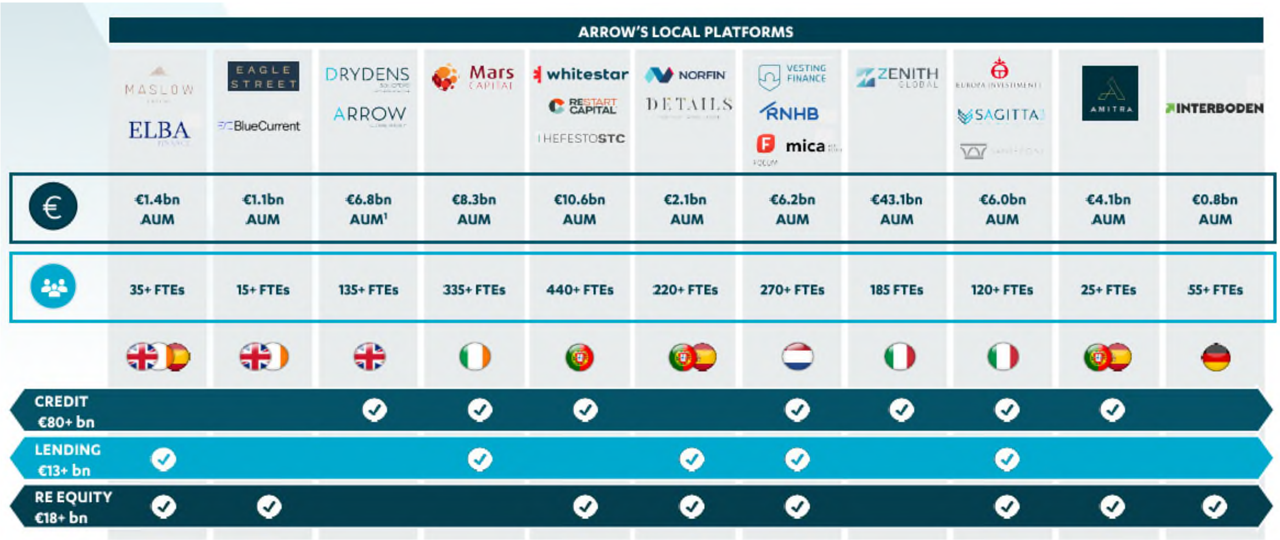
- *Investment Committee*: the AG Advisor provides a non-binding recommendation to the Fund Manager with respect to the Fund, based on the advice of the AG Advisor recommendation committee. The Investment Committee will make a decision with respect to the recommended investment, on behalf of the Fund and, if approved, communicate any accompanying conditions to the investment team.

- *Implementation*: if an opportunity is approved pursuant to the Investment Decision-Making Process, the investment team and the manager team proceed to submit a binding offer and, if accepted, proceed to execute the transaction. Consummation of the investment is usually subject to certain conditions which must be fulfilled prior to the submission of a binding offer and/or prior to closing of the transaction, as applicable.

Our Sourcing and Servicing Platforms

Our 22 local platforms aggregate granular, proprietary opportunities across multiple geographies and sectors. They also support our central investment team that provides fund and asset management services to investors and clients across our investment strategies. We also invest our own capital in these areas, primarily through co-investment in our discretionary funds (ACO I, ACO II, and AREO I) and the associated income and direct costs of such investments. In particular, our ability to purchase investment portfolios is key to our performance as these portfolios drive revenue for our Balance Sheet business and enable us to generate management and performance fees in our Integrated Fund Management business.

The chart below sets out our local platforms, their assets under management, dedicated staff count and the investment strategies on which they focus.



Source: Company information.

(1) Including the contracts of Arrow UK Asset Management.

Maslow and Elba Finance: Maslow is a specialist asset manager, focused on the origination, underwriting, risk management and servicing of real estate development and bridging loans, predominantly in the living sector in the United Kingdom and Ireland. Maslow was founded in 2009 and, after acquiring a 49% share in it in December 2021, we acquired the entirety of Maslow in August 2023. As of September 30, 2024, Maslow had a track record of over 14 years of approximately €3.1 billion of committed facilities over 260 loans, delivering approximately 18,000 real estate units under management. This platform also includes Elba Finance, which team we acquired in December 2023, and specializes in development lending and bridging opportunities in Spain. As of September 30, 2024, Maslow had €1.4 billion of AuM and more than 35 full-time employees.

Eagle Street and Blue Current Capital: Eagle Street is an asset management platform, focused on real estate investment strategies and building vertically integrated operating platforms to support its strategies in the United Kingdom and Ireland. Blue Current Capital is an ESG focused real estate asset manager dedicated to the development of electric vehicle (EV) charging hubs. It was founded in 2020 and acquired by us in 2023. Blue Current Capital is now integrated in the Eagle Street platform. As of September 30, 2024, Eagle Street had €1.1 billion of AuM and more than 15 full-time employees.

Drydens and Arrow Global Massey: Drydens Limited, operating as Drydens Solicitors following its recent rebranding, is one of the largest law firms in the United Kingdom focused on the recovery of debt. We acquired Drydens in 2019. Drydens operates under the applicable professional independence requirements regime in the United Kingdom and providing leading debt recovery services. Drydens also includes Arrow Professional Services ("**APS**"), a business division, which operates primarily through Agenda Management Services Limited, a subsidiary of Drydens. APS brings together capabilities across our entire enterprise and provides a range of portfolio sourcing and transactional monitoring and other support services, including legal, operational, accountancy and administrative support functions and other delegated services ("**APS Services**"). We anticipate that APS personnel may in the future be employed by, or supply their services from, other sourcing and servicing platforms, including a dedicated platform for APS. This platform also includes Arrow Global Massey**,** which is a master and loan servicing platform, based in Manchester and Leeds in the United Kingdom. As of September 30, 2024, Drydens and Arrow Global Massey had €6.8 billion of AuM, including the contracts of Arrow UK Asset Management, and more than 135 full-time employees. Drydens and Arrow Global Massey have been granted with FCA authorization to conduct certain mortgage-related regulated activities in the United Kingdom.

Mars Capital Ireland: Mars Capital Ireland is an Irish platform specializing in primary and special servicing of performing and non-performing residential loans. It is a proprietary servicing platform focused on delivering better financial outcomes for customers through alternative solutions for borrowers, when in arrears. We acquired Mars Capital in 2017. In June 2023, to align with our strategic transition to an integrated fund manager business model, we divested Mars Capital UK to Intrum UK. As of September 30, 2024, Mars Capital

Ireland had €8.3 billion of AuM and more than 335 full-time employees. Mars Capital Ireland is a regulated financial service provider authorized under Irish law and is required to maintain authorization granted by the CBI to provide credit servicing activities under both the Central Bank Act 1997 and the new EU Credit Servicing Directive.

Whitestar, Restart Capital and Hefesto.: Whitestar is a leading company in Portugal in the management and recovery of credit and real estate portfolios. It specializes in servicing and managing loans across the entire credit cycle. It has an experience of over 15 years of operating in the real estate market in Portugal. We acquired Whitestar in 2015. This platform also includes Restart Capital, which we formed in 2022 and that specializes in corporate restructuring and revitalization, and Hefesto, which is an independent credit securitization company in Portugal, registered with the CMVM and subject to its supervision. As of September 30, 2024, Whitestar, Restart Capital and Hefesto had €10.6 billion of AuM and more than 440 full-time employees.

Norfin and Details: Norfin is a major fund manager (*sociedade gestora de grande dimensão*) operating in Portugal and is regulated to manage undertakings for collective investment in property by CMVM. Norfin invests in real estate assets. Norfin was founded in 1999 as a real estate private equity business which we indirectly acquired in 2018 (through the acquisition of Norfin Investimentos, S.A.). Norfin manages assets in funds or special purpose vehicles on behalf of domestic and international institutional capital, with a high diversity of profiles and strategies. As of September 30, 2024, Norfin is managed by a team of approximately 135 professionals and a senior leadership team with over 20 years of experience in the real estate market. This platform also includes Details, which is responsible for managing our hospitality, sports and leisure area in Portugal. We are currently in the process of converting Details from a hotel asset manager to an integrated hotel and leisure management company. As of September 30, 2024, Norfin and Details had €2.1 billion of AuM and more than 220 full-time employees.

Vesting, RNHB, Focum and Mica: Vesting Finance Servicing B.V. ("**Vesting**") is an established credit servicing company operating in the Netherlands and subject to AFM supervision. Vesting manages consumer assets and credit bureau services. We acquired Vesting in 2016. Since 2017, Vesting is the master and special servicer of RNHB's investment portfolio. RNHB is a large non-bank lender in the Netherlands, founded in 1890. It is focused on residential buy-to-let and commercial real estate lending. We have a minority interest in RNHB. This platform also includes Focum and MICA Real Estate ("**Mica**"). Focum is a proprietary data and analytics solutions provider. Mica is a Dutch real estate platform that we set up in 2023, in which we currently hold a minority interest. Focum and Mica are two key local partners with a strong track record in the Dutch real estate market. The platform aims to support our real estate strategy in the Dutch market providing a systematic approach to sourcing opportunities in green office, residential, logistics and hospitality sectors and supporting real estate lending in that market. As of September 30, 2024, Vesting, RNHB, Focum and Mica had €6.2 billion of AuM and more than 270 full-time employees.

Zenith: Zenith is a leading service provider in structured finance transactions in Italy. Zenith is a market leader within the master servicing market. We acquired Zenith in 2017. As of September 30, 2024, Zenith had €43.1 billion of AuM and 185 full-time employees. Zenith is a financial intermediary regulated and supervised by the Bank of Italy.

Europa Investimenti, Sagitta and Sansedoni: Europa Investimenti is a leading operator in distressed and special situation investments in the Italian market. Europa Investimenti seeks to capitalize on debt opportunities relating to small- and medium-sized enterprise and real estate assets. We acquired Europa Investimenti in 2018. This platform also includes Sagitta and Sansedoni. Sagitta is an asset management service provider in Italy owned by Europa Investimenti and is regulated and supervised by the Bank of Italy. In 2021, Europa Investimenti acquired Sansedoni, a commercial real estate management platform, from Banca Monte dei Paschi di Siena. As of September 30, 2024, Europa Investimenti, Sagitta and Sansedoni had €6.0 billion of AuM and more than 120 full-time employees.

Amitra: Amitra is a Spanish master servicing platform specialized in managing complex European non-performing loans, and real estate investments. We acquired Amitra in 2024. As of September 30, 2024, Amitra had €4.1 billion of AuM and more than 25 full-time employees.

Interboden: In June 2024, we acquired the operating platform and assets of Interboden, a leading real estate business in Germany. Interboden is based in Dusseldorf and specializes in residential development. It has a track record of over 70 years in the development of innovative large-scale projects with strong ESG credentials. As of September 30, 2024, Interboden had €0.8 billion of AuM and more than 55 full-time employees.

Balance Sheet Business

Our Balance Sheet business comprises the investment portfolios purchased utilizing our own capital, including co-investments in our Funds, and those made directly by us, predominantly comprising of our historic back-book. Prior to the launch of our first Fund, ACO I, in 2019, we invested our own capital, sometimes co-investing with partners, to generate returns. Since 2019, we have evolved as an integrated fund manager business. As we continue to evolve towards our strategic goal of becoming the leading European integrated fund manager, we intend to focus our balance sheet business primarily in relation to co-investments in our Funds, and this business model drives growth in capital light earnings and enables balance sheet de-leveraging. In this context, our co-invest model requires lower balance sheet investment volumes than historic levels, allowing us to reduce net debt over the medium term. In particular, we generally co-invest in our Funds through a "separately managed account" structure, represented by a customized asset portfolio whereby the underlying investment is held directly by the investor and is managed separately from other accounts (as opposed to a typical "pooled" structure of investment schemes). Historically, our co-investment level was 25% of the total portfolio investment under ACO I, a level which we have reduced to 10% in connection with AREO I and ACO II, thereby further decreasing the capital requirement for the Group.

Governance and Management of our Funds

The AIFMs

Waystone Management Company (IE) Luxembourg Branch (formerly DMS) ("**Waystone**") has been appointed to act as ACO I's initial AIFM. Waystone is authorized and regulated as an alternative investment fund manager by the Central Bank of Ireland under the European Communities (Alternative Investment Fund Managers Directive) regulations 2013.

ONE Fund Management S.A. ("**One Fund**") has been appointed as the initial AIFM of our remaining Funds. One Fund is authorized by the CSSF to act as alternative investment fund manager in accordance with the Luxembourg 2013 Law.

The AIFMs have been entrusted with the portfolio management function and risk management function pertaining to our Funds. The AIFMs may also provide certain distribution and marketing services to the Fund. In addition, the AIFMs are responsible for valuing the assets of the Fund within the meaning of Article 19 of the AIFMD.

The Fund Manager

The Fund Manager is AGG Capital Management Limited, a limited company incorporated under the laws of Jersey on May 1, 2019 with registered number 128984 and wholly-owned by the Parent. The registered office address is 27 Esplanade St Helier JE1 1SG, Jersey. The Fund Manager is licensed by the JFSC to conduct fund services business pursuant to the Jersey FS Law and is required to comply with the applicable requirements of the Code of Practice for FSB. In order to support the Fund Manager's compliance with the Jersey FS Law and the fund services business codes of practice promulgated thereunder, the Fund Manager is itself managed and administered by Saltgate Limited, a Jersey regulated administrator, which is licensed to act as a MoME. The Fund Manager is also an 'Exempt Reporting Adviser' under the U.S. Investment Advisers Act of 1940 as amended.

The AIFMs have delegated in full the portfolio management function to the Fund Manager pursuant to a management agreement. The Fund Manager has been vested with discretionary investment management powers to act on behalf of the Funds and has responsibility for the day-to-day investment management of the Funds and their investment portfolio.

The Fund Manager conducts its investment decision-making activities on behalf of the Funds through the Investment Committee and accordingly makes investment decisions on behalf of the Funds in a manner that is separate and distinct from the Group notwithstanding its ownership by the Parent, its oversight by the Parent and the important portfolio-level services provided to the Funds by the Group's sourcing and servicing platforms. This governance structure supports the investment management function of the Fund Manager, and is complemented by certain other governance arrangements. These governance arrangements are intended to help ensure that the investment management activities of the Fund Manager are conducted exclusively by the Fund Manager, while permitting the Fund Manager and its team to draw upon the expertise, services and networks of the Group for purposes other than investment management decision-making related to the Funds.

The Depositary

RBS International Depositary Services S.A. (the "**Depositary**") has been appointed as depositary of our Funds pursuant to the terms of a depositary agreement entered into between each Fund (acting by its general partner), the AIFM and the Depositary. The Depositary maintains its registered office and place of central administration in the Grand Duchy of Luxembourg. The Depositary has a banking license granted in accordance with the Luxembourg law of 5 April 1993 on the financial sector, as amended. It is registered on the official list of Luxembourg credit institutions and is subject as such to the supervision of the CSSF.

The Depositary is responsible for the custody of any financial instruments of the Funds that are required to be held in custody under the AIFMD, and the verification of ownership of other assets of the Fund partnerships, in accordance with the depositary agreement and the Luxembourg 2013 Law.

The Depositary is also responsible for cash monitoring of the Funds and certain additional oversight functions as set out under article 19(9) of the Luxembourg 2013 Law. The oversight and monitoring duties of the Depositary may not be delegated by the Depositary to a third party. The Depositary is responsible for the segregation of the assets of the Funds in accordance with the requirements of the Luxembourg 2013 Law and the CSSF.

The Depositary is only permitted to delegate (i) the custody of financial instruments; or (ii) its verification obligations in relation to those assets that are not required to be held in custody by the Depositary in accordance with the Luxembourg 2013 Law. In order to discharge its responsibility under the Luxembourg 2013 Law, the Depositary must exercise care and diligence in choosing and appointing a delegate and fulfil the requirements of article 19(13) of the Luxembourg 2013 Law. The Depositary must continue to exercise all due skill, care and diligence in the periodic review and on-going monitoring of the delegate to whom it has delegated its safe keeping and verification obligations.

The Administrator

SS&C (Luxembourg), a Luxembourg company, has been appointed as administrator of our Funds (the "**Administrator**") pursuant to an administration agreement to be entered into between each Fund (acting by its general partner), the AIFM and the Administrator to perform certain administrative services on behalf of our Funds. The Administrator has its registered office at 2, Rue Jean Monnet, L - 2180 Luxembourg and is registered with the Luxembourg Trade and Companies' Register under number B174320. In November 2024, we signed an agreement with SEI Investments – Luxembourg S.A. ("**SEI**") to take over provision of administration services for our ALO Fund. SEI has its registered office at 26, Boulevard Royal, L-2449 Luxembourg and registered with the RCS under number B257752.

Technology Infrastructure

We recognize the importance that our information technology ("**IT**") infrastructure plays in ensuring that our people can maximize business performance and deliver great outcomes for our stakeholders. Our IT infrastructure is therefore built to provide flexibility, control, resilience and cost effectiveness. We operate a Microsoft first, cloud-based approach, utilizing Microsoft's 365 and Azure technologies to provide highly scalable and secure cloud-hosted capabilities.

Our fund manager entities operate in a ring-fenced technology environment, which is hosted separately from our many servicing platform technology environments. Our technology architecture allows us to maintain logical separation of data and servicing activity at an individual country/business level, whilst maximizing cross-entity and country collaboration.

We have developed a proprietary Fund Management System ("**FMS**"), which captures regular investment performance and cash-flow information from our servicing platforms and enables timely and accurate investor reporting. The FMS is complemented by specialist third-party software solutions such as Kyriba, which is used for fund finance and treasury management, providing robust control and audit logging of all payment approvals and transfer destinations.

Our asset management and servicing platforms use a number of core systems, a number of which are in-house developed applications such as GAIA in Italy, Galaxy in Portugal and Deimos in Ireland. These applications are primarily used in servicing more granular credit portfolios. In addition, a number of platforms also use third-party software applications such as Yardi for real estate asset management in Portugal and Ireland, Amazon

Connect for call center telephony in Ireland and Collenda for loan servicing in the Netherlands. We own the intellectual property rights to all in-house developed software applications.

In addition, we have developed customer portals allowing customers to self-serve and make payments via a portal across many of our platforms, with further automation in flight. This capability allows us to reduce the operational cost of servicing, and improves the customer experience, allowing them to transact 24/7 including making payments to their accounts. We are planning to offer this web portal capability as a new white-labeled service to a large client in Ireland in 2025, and will review a wider rollout of this service to other third party servicing clients in Portugal in the second half of 2025.

We believe that data is key to our value proposition and is therefore safeguarded for the benefit of our colleagues, customers and clients. A fundamental area of operational risk management and operational resilience is our approach to information security. We benchmark our minimum information security standards against the international standard of good practice for information security, ISO 27001 and other industry standards such as the National Institute of Standards and Technology framework for cybersecurity and CIS Controls. Our framework involves identifying our critical data and applying the relevant protection controls to safeguard such data.

Because the cyber-risk landscape is continually evolving, we operate a centralized Information Security function, which provides front line monitoring and control across the Group, the Fund Manager and our servicing platforms. In addition to the core security solutions provided by Microsoft, this central function also overlays a number of tier 1 security solutions across our priority threat vectors including Mimecast for email and Zscaler for web. A core part of this function's responsibility is to also provide regular vulnerability scanning and penetration testing, as well as a training and awareness program for all employees across the Group. In addition, we augment our permanent Information Security team with a specialist team from Taegis who provide a 24-hour security operations centre ("**SOC**") for the Group.

Although cyber risk forms a critical component of our operational resilience and scenario testing, we acknowledge that it is not the only business disruptor that can have a significant impact on our operations. As such, the development and strengthening of our business operating model encompasses the development of our culture, processes and systems such that our business is best placed to perform in line with our strategy in the face of disruption, regardless of the source of such disruption. This holistic approach to the development of the systems involved in our business enables us to anticipate, protect and plan for operation recovery. Our approach to business continuity for our IT infrastructure is to ensure that our systems are "always on," enabled by our use of cloud-based data centers. As such, in the event of a system breakdown, we expect to be able to recover all critical systems within approximately two hours.

The growing prevalence of AI capabilities presents both risks and opportunities for the Group. We have adopted a conservative approach to the use of AI capabilities in third party software solutions, restricting the ability of our employees to upload personally identifiable information, sensitive or confidential information. This provides a safeguard against unintended data breaches. However, we are also actively working to leverage the opportunities provided by large language models and generative AI within a ring-fenced technology environment managed by our technology engineering team. Through this new environment we have created improvements in our ability to complete first-stage underwriting on large granular portfolios, and also review very large data sets to identify potential new origination opportunities. This program has executive oversight through our group Operational Performance Committee on a monthly basis.

Litigation

We engage in legal proceedings in the ordinary course of our business to collect on the debt that we own or manage. Outside of these ordinary course of business proceedings, we do not believe that any proceedings are material or will have a material adverse effect on our financial position.

Employees

As of September 30, 2024, we had approximately 2,100 full time employees, approximately 13% of whom were employed in central functions.

We have a rigorous and selective recruitment, training and retention strategy in order to maintain our high standards of service. All newly recruited employees are provided with a comprehensive induction program which includes comprehensive training on our legal and regulatory compliance policies. Employee performance is tracked through on-going performance management reviews and a performance grading system. In addition, employees involved in collection activities have additional monitoring, training and customer ratings to ensure fair outcomes for customers.

Properties

Our main offices are located in Manchester, London, Lisbon, Amersfort, Milan, Dublin, Düsseldorf, Madrid, St. Helier, and Luxembourg. Additionally, we also occupy a number of smaller satellite offices.

Environmental, Social and Governance

We are committed to being a responsible business that engages with its stakeholders on material sustainability matters, including Environmental, Social and Governance ("**ESG**") issues. The way we deliver on ESG supports our vision of becoming Europe's leading integrated fund manager. At its core, this means that to deliver sustainable risk-adjusted returns for our investors we operate as a responsible manager that dedicates time and careful thought to creating successful, long-term outcomes to the satisfaction of all our stakeholders. It is our objective as a responsible business and investor to understand, mitigate, and reduce our impact on the environment in a thoughtful and proportionate manner. As global attention increasingly focuses on the implications of climate change, we aim to be proactive in understanding and addressing the associated physical and transition risks and opportunities.

As a responsible investor, we focus on the core ESG principles in a systematic manner in all aspects of our investment decisions. As part of our commitment to being a responsible investor, we work across functions to assess key ESG considerations. From the initial stages of a potential investment, we carry out a risk assessment as to whether the potential investment includes risks related to environmental, governance, social or other areas, and whether such risks are consistent with the risk appetite and core ESG principles of our Group and our investors. To facilitate this, our investment committee memoranda have evolved to contain ESG content. We also assess any potential ESG optimization opportunities throughout our investment process. In 2021, our Fund Manager became a signatory to the PRI. To embed the principles of the UN PRI into our investment processes, a 'Responsible Investment Policy' was formally approved by our Fund Manager's board in 2022 which was further updated during 2023. Our approach to responsible investment is consistent throughout selection of investment opportunities, the ongoing portfolio management and stewardship practices and through to the point of exit where applicable. During 2023, our Fund Manager completed the annual reporting process to the PRI for the first time and has received positive scores reflecting the high level of focus placed on governance and oversight throughout the investment process.

As a responsible business, we focus on our local strategy, where each platform has established long-term relationships with regulators, banks, and clients in its geography, built upon integrity, responsibility, and shared long-term interests. These long-term interests imply that we operate with an awareness of our impact on the environment, understand and respond to the needs of our customers, commercial partners, and colleagues, and give back to the communities in which we operate. For example, our supplier management framework focuses on material issues of sustainability and modern slavery. The interconnected nature of our vertically integrated business, throughout the investment lifecycle, from origination and due diligence to our investment decision making processes, portfolio management and, ultimately, exits, makes maintaining healthy stakeholder engagement essential. This also enhances our ability to identify, assess, and manage risks and opportunities. Our policy attestation process is a key pillar of our governance framework. Through this, our businesses attest to the Board and central risk and governance functions on the implementation of our policies, including our ESG Policy.

Underpinning our approach is a robust governance structure, with key members of the senior leadership team attending quarterly meetings of the Sustainability and ESG Committee, which reports to the board of directors of the Parent. The Sustainability and ESG Committee plays a key role in (i) continuing to evolve and embed ESG and responsible investment policies, (ii) monitoring ESG related key performance indicators, (iii) moving forward with our diversity and inclusion agenda and (iv) leveraging insight from external experts including specialist sustainability consultants and relevant industry bodies. This committee ensures that the business is kept appraised of key developments in implementing our ESG and sustainability goals by providing strong governance and oversight.

We believe that we do not have any material environmental compliance costs or environmental liabilities. See "*Management*" for details on our governance arrangements.

REGULATION AND COMPLIANCE

The key aspects of the regulatory framework currently applicable to our business are described below.

Our Funds and the Fund Manager

Most of our Funds are set up as Luxembourg special limited partnership (*société en commandite spéciale – SCSp*) (the "**Partnerships**"), organized as an investment company with variable capital, and qualifying as a reserved alternative investment fund (*société d'investissement à capital variable - fonds d'investissement alternatif réservé – SICAV-RAIF*) under the Luxembourg law of 23 July 2016 on reserved alternative investment funds, as amended, supplemented or restated from time to time (the "**Luxembourg 2016 Law**") and the Luxembourg law of 10 August 1915 on commercial companies, as amended, supplemented or restated from time to time (the "**Luxembourg 1915 Law**").

Pursuant to the Luxembourg 2016 Law, the Partnerships are not subject to the supervision of the Luxembourg Financial Sector Supervisory Authority (*Commission de Surveillance du Secteur Financier*) (the CSSF), or any other Luxembourg supervisory authority. This means, *inter alia*, that neither the incorporation nor establishment of the Partnerships, nor any amendment to the Partnerships' constitutional documents or any other documents governing the operation of the Partnerships, require the approval or authorization of any Luxembourg supervisory authority. As a consequence, investors in the Partnerships do not benefit from the investment protection regime applicable to regulated Luxembourg collective investment funds.

Interests in the Partnerships may not be held or owned by any person who is not a "well-informed investor" (*investisseur averti*) as defined in Article 2 of the Luxembourg 2016 Law. Under Article 2 of the Luxembourg 2016 Law, a well-informed investor shall be:

- an institutional investor; or
- a professional investor within the meaning of Annex II to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU; or
- any other investor who (a) has stated in writing that he adheres to the status of well-informed investor; and (b) either invests a minimum of €100,000 (or its equivalent in another currency) in the Partnership; or has been the subject of an assessment made by a credit institution (within the meaning of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012), by an investment firm (within the meaning of Directive 2014/65/EU), by a management company (within the meaning of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)), or by an authorized alternative investment fund manager (within the meaning of the AIFMD) certifying his expertise, his experience and his knowledge in adequately apprising an investment in the Partnership.

The conditions in relation to "well-informed investors" set forth above are not applicable to the directors and other persons involved in the management of the Partnership.

AIFMD and AIFMD II

Although the Partnerships themselves are not subject to the direct supervision of any supervisory authority, as a consequence of their status as an "alternative investment fund" (as defined in the AIFMD), the persons responsible for the management of the Partnerships and the safekeeping of the Partnerships' assets are subject to the relevant provisions of the AIFMD. Waystone, ACO I's initial AIFM, is authorized and regulated as an alternative investment fund manager by the Central Bank of Ireland under the European Communities (Alternative Investment Fund Managers Directive) regulations 2013. ONE Fund, the initial AIFM of our remaining Funds, is registered as a Chapter 15 management company pursuant to the Luxembourg law dated 17 December 2010 on collective investment undertakings, is authorized as an AIFM in accordance with the Luxembourg 2013 Law, and is subject to the prudential supervision of the CSSF.

The AIFMD (as implemented in the Luxembourg 2013 Law) imposes various obligations on our AIFMs. These include reporting and disclosure obligations, requirements relating to the AIFM's carrying out of portfolio management and risk management functions, requirements to appoint a depositary for safekeeping and oversight of the Partnerships' assets, valuation requirements, potential restrictions on the ability to recapitalize, refinance or potentially restructure a portfolio investment within the first two years of ownership, marketing requirements and various other regulatory compliance obligations.

Directive (EU) 2024/957 (known as the "**AIFMD II**"), amending the AIFMD as it applies in the EEA, entered into force on April 15, 2024. The AIFMD II will impose obligations including: (i) minimum substance considerations that EU regulators will need to take into account during the AIFM authorization process; (ii) enhanced requirements around delegation, including additional reporting requirements in relation to delegation arrangements; (iii) new requirements applying to AIFMs managing funds that originate loans, including leverage and concentration limits, restrictions on lending to certain borrowers and requirements relating to liquidity risk management; (iv) increased investor pre-contractual and periodic disclosure requirements, notably around fees and charges; and (v) a prohibition on non-EU AIFMs and AIFs established in jurisdictions identified as "high risk" countries under the European Anti-Money Laundering Directive (as amended) or the revised EU list of non-cooperative tax jurisdictions. Member States now have two years to transpose the AIFMD II rules into national law, meaning that they will apply from April 16, 2026 (with some rules subject to a transitional period). As of the date of this Exchange Offer Memorandum, the provisions laid down by the AIFMD II have not been transposed in Italy. Absent a draft of proposed implementing regulations, it is currently not possible to foresee whether the Italian regulator would exercise any material "gold-plating" in this respect or the term of implementational period.

Fund Manager—Applicable Jersey Regulatory Regime

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

The U.S. Investment Advisers Act of 1940

Our Fund Manager qualifies for an exemption from the registration requirements under the U.S. Investment Advisers Act of 1940, as amended, (the "**Advisers Act**"), but files reports with the SEC as an "exempt reporting adviser" pursuant to the terms of the registration exemption on which it relies. Provisions of the Advisers Act that apply only to registered investment advisers do not apply to exempt reporting advisers. However, exempt reporting advisers are subject to some of the requirements and regulations of the Advisers Act. Such requirements and regulations include, among other things, fiduciary duties to advisory clients, recordkeeping and regulatory reporting requirements, disclosure obligations, limitations on agency cross and principal transactions between an adviser and its advisory clients, anti-corruption rules relating to investors associated with U.S. state or local governments and general anti-fraud prohibitions.

The terms of this Advisers Act exemption limit the ability of our Fund Manager to expand its investment advisory businesses into the United States for so long as it remains unregistered under the Advisers Act. Most notably, the exemption restricts the Fund Manager from entering into a separately managed account arrangement with any U.S. investor, managing $150 million or more in private fund assets at a U.S. place of business or managing any separately managed account client assets (even for a non-U.S. investor) at a U.S. place of business.

Fair Debt Collection Practices

Some aspects of our business, including anti-money laundering, consumer credit and mortgage servicing, are regulated on the basis of pan-EU laws retained in the United Kingdom as assimilated law following its departure from the EU. However, these do not cover all aspects of debt collection regulation, so it is not possible to comply with a single rulebook in the United Kingdom and the EU. Each country in the EU has developed its own set of rules for debt collection operations. The various regulations cover, among others: the methods by which claims can be assigned or transferred; the ways in which a customer can be contacted and a debt collected; and the types and level of fees, interests and costs that can be imposed, and whether those fees, interests and costs can be passed to the customer or the client.

In countries where there are no specific regulations covering debt collection and where no licensing requirements apply for certain debt collection operations, there are still regulations of a more general nature which we must observe when carrying out our debt collection operations. Such regulations include, for example, general civil and commercial rules and consumer protection laws and regulations regarding caps on collection fees and interest costs. Any regulatory changes reducing the amount of such costs we can recover may have a negative impact on our results of operations.

In all countries in which our operations are licensed or regulated, our subsidiaries are subject to certain integrity tests with respect to debt collection. These integrity tests may include verifying that the collection business is carried out in accordance with local rules and regulations; the directors of the board have sufficient knowledge and experience and have not misused any debt collection permissions; and the directors meet other general suitability and reliability checks.

Regulation of Purchase and Servicing of NPLs

A new EU directive on credit servicers and credit purchasers (the "**Credit Servicers and Purchasers Directive**") was adopted in December 2021, regulating the sale, purchase and servicing of NPLs originated by EU banks, aiming to reduce the impediments to credit sales and imposing safeguards for the transfer of NPLs to credit purchasers, while safeguarding borrowers' rights. The aim of the new rules is to encourage the development of secondary markets for NPLs, to reduce existing banks' stocks of NPLs and prevent their accumulation in the future. Under these new rules, we would need to appoint an EU-authorized credit servicer where we purchase such NPLs where the borrower is a consumer or SME (subject to the ability of Member States to elect to extend this requirement to other types of NPLs). The AIFMD II clarifies that AIFMs can be authorized and appointed to act as credit servicers under the Credit Servicers and Purchasers Directive.

The Credit Servicers and Purchasers Directive introduces requirements on credit purchasers relating to fair treatment of borrowers of NPLs, information to be provided to borrowers of NPLs and reporting to the regulator. Credit servicers are also subject to obligations relating to fair treatment of borrowers of NPLs including complaints handling, as well as requirements relating to provision of information to borrowers, content of credit servicing agreements, record keeping and other organizational requirements. Member States had until December 2023 to transcribe this into law, although many Member States were late in implementing these requirements in national law and some have not yet done so. With respect to the Partnerships' role as credit purchasers, the Credit Servicers and Purchasers Directive was implemented in Luxembourg law as of July 2024. Focusing on our other key jurisdictions of operation, the Credit Servicers and Purchasers Directive has been implemented in Ireland but has not yet been implemented in Portugal, Italy or the Netherlands.

Anti-money Laundering

Our operations are subject to anti-money laundering laws.

On May 20, 2015, Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012, and repealing Directive 2005/60/EC, as amended by Directive (EU) 2018/843 ("**4th and 5th AML Directives**") was adopted by the European Parliament and the Council. The 4th and 5th AML Directives enhanced previous client due diligence requirements and also provided for greater enforcement powers, including stricter sanctions with maximum administrative fines of at least €5,000,000 or 10% of total annual turnover. Following the United Kingdom's departure from the EU, UK legislation implementing the 4th and 5th AML Directives has been retained as assimilated law in the United Kingdom by virtue of the EUWA.

Regulatory Framework in our Key Jurisdictions of Operation

United Kingdom

The consumer credit and mortgage industry in the United Kingdom is highly regulated. Operating in compliance with applicable legal and regulatory requirements requires considerable investment in processes, know-how and management.

The FCA is primarily responsible for the regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets. The FCA's "operational objectives" are to protect and enhance confidence in the UK financial system by securing an appropriate degree of protection for consumers, protecting and enhancing the integrity of financial markets and promoting effective competition in the interests of consumers. The FCA also has a "strategic objective" of ensuring that relevant markets it regulates function well. In the United Kingdom, the principal sources for the regulation of consumer credit activities and mortgage conduct are:

- the Financial Services and Markets Act 2000;
- the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);
- (for consumer credit activities) retained provisions of the Consumer Credit Act 1974 and some related secondary legislation;
- (for mortgage conduct) the Mortgage Credit Directive Order 2015; and
- the rules and guidance in the FCA Handbook (including CONC, which is the FCA specialist sourcebook that applies to firms carrying on credit-related regulated activities, and MCOB, which is the conduct of business sourcebook for mortgages and home finance).

In applying the rules referred to above, the FCA Consumer Duty also requires FCA-regulated firms to act to deliver good outcomes for retail customers. In keeping with its operational objectives, the FCA carries out thematic reviews, conducts consultations and revises its policy and rules as part of its ongoing process of regulating the consumer credit and mortgage industry. Identification of poor practices or poor outcomes for consumers can result in policy and rule changes that bring about significant changes.

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (the "**Debt Respite Scheme**") came into force on May 4, 2021. Broadly, the Debt Respite Scheme provides for two types of relief: (i) protections available to anyone with debt protecting them from creditor action for up to 60 days by pausing most enforcement action, preventing contact from creditors, and freezing most interest and charges; and (ii) protections available to debtors receiving mental health crisis treatment.

As is the case across many financial services industries, the industry in which we operate is currently undergoing, and may in the future undergo, a number of significant regulatory changes. These affect us, Investment Portfolio Sellers and our DCAs. We believe that the regulatory environment favors participants with scale, such as us, that are more likely to be able to adapt and comply with evolving consumer protection policy and the increasing volume of regulation in the industry. Investment Portfolio Sellers are also becoming increasingly cautious in their selection of debt purchasers and DCA partners, and those who can demonstrate robust compliance processes are favored.

The UK Consumer Credit Regulatory Framework

Since April 1, 2014, the FCA has been responsible for the regulation of consumer credit activities such as lending, credit brokerage and other ancillary credit-related activities. As noted above, the consumer credit regime principally consists of FSMA, the RAO, the CCA and the FCA Handbook (in particular, CONC). Many of the requirements applicable to regulated credit agreements are prescriptive in nature and include obligations to:

- provide customers with prescribed pre-contractual information;
- ensure that credit agreement documentation complies with prescribed, detailed content and form requirements;
- provide customers with copies of credit agreement documentation at the outset and during the term of the agreement upon request;
- provide customers with prescribed forms of notices in relation to defaults and termination;
- provide customers with prescribed forms of post-contractual statements and notices;
- ensure an "unfair relationship" does not arise between the lender and the borrower; and
- ensure that their agreements do not contain unfair terms (and, if they do, the legislation provides that any unfair terms are not binding on the customer).

In addition to regulatory action, non-compliance with these requirements could, for example, result in the underlying loan agreement being unenforceable against the borrower and the borrower having no liability to pay interest or default charges (for the period of non-compliance).

The UK Mortgage Regulatory Framework

The mortgage regime principally consists of FSMA, the MCDO and the FCA Handbook (in particular, the MCOB). The regulation of residential mortgage business entered into force on October 31, 2004.

There have been incremental changes to the scope of the mortgage regime over time—for example, there is no longer a requirement for the security to be first ranking in order for a mortgage to fall within the regulated mortgage regime and some mortgages which were previously subject to the consumer credit regime are now subject to the mortgage regime (although some protections afforded by the consumer credit regime may still be available). The MCDO also introduced conduct of business regulations and information requirements for customers of consumer buy-to-let mortgages in 2016.

We currently use third parties to service accounts affected by these incremental extensions to the scope of UK mortgage regulation, relying (pursuant to Article 62(a) of the RAO on their regulatory permissions for mortgage administration.

FCA Authorization

Pursuant to Section 19 of FSMA, a firm must be authorized to carry on regulated activities by way of business in the United Kingdom or otherwise exempt. A contravention of this requirement is a criminal offense (and may result in any underlying customer agreements being unenforceable without a validation order). Similar sanctions may also apply for breaches of the financial promotions regime. Additionally, the direct and indirect involvement of an unauthorized person in a regulated activity may result in the underlying customer agreement being unenforceable (and may, for example, also allow that customer to recover monies/property and/or seek compensation).

Arrow Global Limited has been registered with the LSB as an associate subscriber since July 2016. Arrow Global Massey Limited and Drydens are currently the only Group businesses with FCA authorization to conduct certain consumer credit-related regulated activities in the United Kingdom. Drydens has FCA authorization to conduct certain mortgage-related regulated activities in the United Kingdom.

Arrow Global Adviser Limited provides non-binding recommendations to the Fund Manager with respect to the Partnerships. It carries on these activities as "appointed representative" of Kroll Securities Ltd, an FCA-authorized firm, meaning that Arrow Global Adviser Limited is exempt from FCA authorization with respect to these activities.

Prior to granting full authorization for a firm to carry on regulated activities, the FCA is required to carry out a thorough assessment of the applicant, including their business model, and to determine whether that firm will meet the required organizational and suitability standards (referred to as the "**threshold conditions**").

The "**threshold conditions**" are the minimum organizational and suitability requirements which must be satisfied in order to obtain (and maintain) FCA authorization. These relate to matters including the location of the firm's offices, whether the firm is capable of being effectively supervised by the FCA, the quality and quantity of the firm's resources (including both financial and management resources), whether the firm is a "fit and proper person" to conduct the relevant activities and whether the firm has a suitable business model.

As of the date of this Exchange Offer Memorandum, none of our entities has had any application to obtain any authorization, permission, permit or license refused or denied or has had any authorization, permission, permit or license cancelled (other than on its own initiative).

Senior Managers and Certification Regime

In response to the 2008 banking crisis, the UK Parliamentary Commission for Banking Standards ("**PCBS**") recommended a new accountability framework focused on senior management, with authorized firms taking more responsibility for assessing whether their own employees are fit and proper.

The FCA and Prudential Regulation Authority ("**PRA**") began applying SMCR to the banking sector from March 2016; Parliament made further changes to legislation in May 2016, and required the regime to be extended to all FSMA-authorized firms from December 9, 2019.

The key elements of the SMCR are:

- *Senior Managers*: the most senior individuals who perform specified roles or functions within the firm ("**Senior Management Functions**") are the 'Senior Managers;' Senior Managers require approval by the FCA; each Senior Manager has a "statement of responsibilities" detailing the areas they are responsible for; certain "prescribed responsibilities" specified by the regulator must be allocated to one or more of the Senior Managers; and Senior Managers are subject to a statutory "duty of responsibility" requiring them to take reasonable steps to prevent, or stop, a breach of rules in their area;

- *Certification Staff*: employees whose functions can cause significant harm to the firm, its customers or the integrity of the market (but are not Senior Management Functions) fall within the certification regime; amongst other requirements, these employees must be certified as fit and proper by the firm;

- *Code of Conduct*: the conduct rules set basic standards of personal conduct; they apply to almost all employees within firms; some conduct rules apply to everyone within scope, some apply only to Senior Managers; firms are required to give training on the conduct rules and notify the FCA if they have taken disciplinary action against an employee for breach of them; and

- *Ongoing assessment*: firms must assess whether Senior Managers and certified staff are "fit and proper" on an ongoing basis and at least annually; as part of the initial fit and proper assessment, firms are expected to request regulatory references to cover the last six years of employment.

Unfair Terms

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 (the "**UTCCR**") applies to agreements entered into with a consumer on or after July 1, 1995, but prior to October 1, 2015 (and were not individually negotiated). The Consumer Rights Act 2015 (the "**CRA**") (which came into force on October 1, 2015) consolidated much of the existing consumer rights law in the United Kingdom. Among others, it repealed the UTCCR in relation to new consumer contracts made on or after October 1, 2015, and effectively merged the consumer protection rules under the UTCCR and the Unfair Contract Terms Act 1977. The CRA applies to agreements entered into with a consumer on or after October 1, 2015, or agreements which were, since October 1, 2015, subject to a material variation such that they are treated as new agreements falling within the scope of the CRA. The CRA also applies to notices of variation (such as variation of interest rates) made since October 1, 2015.

Under the UTCCR and CRA, it is possible that any agreement that has been made or entered into with a consumer may contain terms that are deemed by a court (or other body) to be "unfair," which may result in the possible unenforceability of such terms (and may ultimately affect the ability to collect payment under any loan). However, a term of an agreement may not generally be assessed for fairness if it specifies the main subject matter of the contract or relates to the appropriateness of the price payable under the contract by comparison with the goods or services supplied under it (provided that the term is written in plain and intelligible language and brought to the consumer's attention in such a way that the average consumer would be aware of the term).

In light of the broad and general wording of the UTCCR and CRA, it can be difficult to predict whether a court (or other competent body) would find a term to be unfair. It is therefore possible that any agreement covered by the UTCCR, the CRA or any other unfair terms legislation may contain terms that are deemed to be unfair, which may result in the possible unenforceability of such terms of such agreement.

Since the UTCCR and CRA are based on an EU directive, similar considerations, requirements and restrictions may arise in Member States.

Unfair Relationships

The CCA provides for an "unfair relationship" test which applies to a broad range of credit agreements. In the event that a court determines a relationship between a creditor and debtor to be unfair, it has broad powers to grant a wide range of remedies (for example, the court could require certain sums to be repaid to the debtor). There is no statutory definition of what would amount to an "unfair relationship" as the test is intended to provide flexibility.

By way of example, the UK courts have determined a relationship to be unfair where (i) broker commissions (the existence and/or amount) were not properly disclosed to debtors prior to their entry into a loan agreement and (ii) payment protection insurance commissions were not disclosed to debtors prior to their entry into a loan agreement. The UK courts have also held that agreements involving secret or partially disclosed commission arrangements may be rescinded or compensation payable in lieu of rescission on the basis of a breach of duty owed to the borrower.

Supervision and Enforcement

The FCA's approach to regulation and the standards it requires firms to maintain are set out primarily in the FCA Handbook (mainly in the form of rules and guidance). A contravention by a firm of any requirements set out in the FCA Handbook could result in regulatory enforcement action (for example, the imposition of a fine, the imposition of requirements (including an obligation to pay redress) or withdrawing a firm's authorization) and/or (in certain cases) a claim for damages brought by a private person (for example, a borrower under a loan agreement).

The FCA has wide powers to supervise, and intervene in, the affairs of a regulated firm. It can, for instance, require firms to provide particular information or documents to it, formally investigate a firm or undertake sector-wide projects to address risks across, for example, a range of firms or particular market segment.

The FCA's supervisory approach is built around three types of work. The first type is proactive, which entails pre-emptive identification of harm through review and assessment of firms and portfolios. The second type is reactive, which addresses issues that are emerging or have already happened at a firm. The third type is thematic, which entails wider diagnostic or remedy work where there is actual or potential harm across a number of firms.

The FCA undertakes monitoring of regulated firms and may ask to perform an on-site visit to ensure that the business of such firms is compliant with all of the applicable requirements. Where consumer detriment (for example) is found, the FCA will use its powers of intervention, which might include taking enforcement action and/or securing redress for consumers.

The FCA may use its investigatory powers to look at past behavior but will then apply the sanctions that were in force at the time of the breach. The FCA's investigatory powers allow the FCA to require persons to answer questions and provide documents or information and to apply for warrants to enter and search premises. The FCA also has the power to bring civil, criminal and disciplinary proceedings.

Complaints and Compensation Arrangements

In the United Kingdom, the FOS acts as an independent adjudicator of the complaints made to it (by individuals and small enterprises). A decision by the FOS is binding on the business, but not on the complainant. There are formal escalation procedures for a complainant to make a complaint to the FOS. However, the FOS, rather than necessarily making a decision solely on the basis of strict compliance with the law, makes its decision on the basis of what is fair and reasonable in the circumstances, taking account of the law, rules and good market practice. The FOS can address complaints in relation to a regulated firm's regulated and unregulated activities.

On November 15, 2024, the FCA and FOS launched a joint call for input to seek views on how to modernize the redress system, particularly in the context of 'mass redress events' where a widespread issue leads to large numbers of customer complaints. It is not yet clear what changes may be made to FCA or FOS complaints and redress processes following the call for input, but the FCA and FOS are expected to publish next steps in the first half of 2025.

The Financial Services Compensation Scheme is the United Kingdom's statutory compensation scheme for customers of financial services firms. It can pay compensation to customers if a firm is unable, or is likely to be unable, to pay claims against it. Since April 2018, the Financial Services Compensation Scheme has covered debt management firms.

The FCA has power to require a firm to pay redress as a condition of remaining authorized.

Data Protection

The GDPR entered into force on May 25, 2018. The United Kingdom is no longer a member of the EU, but has retained the GDPR in its domestic law by virtue of the EUWA (the body of law retained in the United Kingdom, including the Data Protection Act 2018, is referred to as the "**UK GDPR**"). The GDPR applies to the processing of personal data (i) in the context of the activities of an establishment in the EEA and (ii) by organizations outside the EEA that offer goods or services to data subjects in the EEA, or that monitor the behavior of data subjects in the EEA. The UK GDPR applies to the processing of personal data (i) in the context of the activities of an establishment in the United Kingdom and (ii) by organizations outside the United Kingdom that offer goods or services to data subjects in the United Kingdom, or that monitor the behavior of data subjects in the United Kingdom. For the purposes of the GDPR and the UK GDPR, personal data is information that can be used to identify a natural person, including, for example, a name, a photo, an email address, or a computer IP address.

The GDPR and the UK GDPR (and other similar data protection laws in other countries) provide greater protection for data subjects by requiring, amongst other things, personal data to be processed lawfully in a fair and transparent manner, to be collected for specified, explicit and legitimate purposes, and to be limited to what is adequate or necessary in relation to those purposes. Data controllers must be able to respond to the rights of data subjects, which includes the right of individuals to access their personal data, to seek to rectify inaccurate data, to have personal data erased where processing is no longer required, to seek to restrict the processing of their personal data, and to object to the processing of their personal data. Controllers and processors of personal data must implement appropriate technical and organizational measures to protect the rights of data subjects and ensure an appropriate level of security against loss, misuse or unauthorized access. A personal data breach which results in the likelihood of a risk to the rights of a data subject must be notified to an appropriate supervisory authority without undue delay and, where feasible, within 72 hours of becoming aware of the breach; a breach with a high risk to the rights of a data subject must be notified to the data subject (also without undue delay). Where third parties are involved in the processing of personal data, or where personal data is being transferred to other countries that do not provide an adequate level of protection, appropriate arrangements must be put in place, such as, e.g., the use of standard contractual clauses.

Certain violations of these data protection laws may result in significant administrative fines, e.g., under the GDPR, organizations can be fined up to €20 million, or in the case of an undertaking, up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. Any failure to comply with privacy and data protection related obligations may therefore result in significant liability, which could have an adverse effect on the reputation of that party and its business.

In the United Kingdom, 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 rights of individuals with respect to their personal data. The ICO is empowered to impose requirements through enforcement notices (in effect, stop orders), issue monetary fines and prosecute criminal offenses under the UK GDPR.

We control the processing of significant amounts of personal data. We have undertaken a data protection impact assessment, updated our contracts with processors, published a privacy notice, implemented appropriate technical and organizational measures to maintain the security of personal data and established a data protection policy, an information security policy and a data retention policy and we follow the applicable guidance issued from time to time by the ICO, in particular, e.g., in relation to the handling of data subject access requests from individuals.

Following the withdrawal of the United Kingdom from the European Union, the UK GDPR is currently substantially similar to the GDPR (but with necessary national variations). Notwithstanding this, the United Kingdom has proposed amendments to the UK GDPR via the Data (Access and Use) Bill which, if passed, will likely create greater divergence between EEA and UK requirements. This may create a greater dual regulatory compliance burden in circumstances where entities are subject to both regimes. In addition, it is possible that a diverging UK regime may result in the European Union re-evaluating the "adequacy" of the UK data protection framework, which could result in additional compliance costs when sending data from the EEA to the United Kingdom. As of June 28, 2021, the EU Commission has adopted an adequacy decision for the United Kingdom under the GDPR allowing personal data to flow freely from the EEA to the United Kingdom. However, this adequacy decision will expire on June 27, 2025 unless repealed or extended, and it is not yet clear whether the EU Commission will extend such adequacy decision.

LSB's Standards of Lending Practice

The LSB is a self-regulatory organization that promotes fair lending and positive consumer outcomes in the United Kingdom principally through the Standards of Lending Practice. The Standards of Lending Practice (previously the Lending Code) developed by the LSB came into operation on October 1, 2016, and are applicable to UK banks and lenders who are registered with the LSB. According to the LSB's website, the personal standards came into force on October 1, 2016 and were most recently updated on April 8, 2021 (with effect from July 1, 2021). The business standards came into force on July 1, 2017 and were most recently updated on August 5, 2020 to provide advice on products offered under the Government’s Coronavirus Business Interruption Loans Scheme and Bounce Back Loan Scheme.

We have been registered with the LSB as an associate subscriber since July 2016. The majority of UK Investment Portfolio Sellers are registered with the LSB and, therefore, look to ensure that their third-party service providers and debt purchasers also comply with the requirements of the LSB and specific credit business activities.

As a consequence of being registered with the LSB, we are expected to comply with the relevant provisions of the Standards of Lending Practice. Our policies are reviewed and updated against the requirements of the Standards of Lending Practice.

The LSB actively carries out thematic reviews and/or publishes reports in respect of activities that are relevant to us, primarily in relation to the Standards of Lending Practice for personal customers. The LSB conducts reviews of each standard or code, as well as risk-based thematic reviews. The LSB generally seeks to understand how firms meet their commitments in its less formal capacity, and as new concerns relating to consumer outcomes emerge, adapt the Standards of Lending Practice accordingly to help firms develop an appropriate approach for dealing with them.

Given the regulatory focus on ensuring fair treatment for both personal and business customers and, by their nature, the evolving Standards of Lending Practice, industry participants may be subject to additional compliance burdens which may have an impact on our profitability. In addition, the findings of the LSB’s reviews may trigger investigatory work or enforcement action by the FCA.

Debt Claims Protocol

The Pre-action Protocol for Debt Claims (the “**Debt Protocol**”) is a pre-action protocol setting out the steps the court would normally expect parties to take before commencing proceedings. Pre-action protocols are approved by the Master of the Rolls and are annexed to the Civil Procedure Rules. The Debt Protocol has as its core principle that debtors should be provided with sufficient information to enable them to obtain advice on their position prior to the issue of a claim from the creditor. The Debt Protocol requires the provision of various documentation before litigation proceedings are commenced, including, for example, a full statement of account, a copy of the original credit agreement and details of any assignment together with details of the notice of assignment; imposes time periods before proceedings can be commenced; and calls for resort to alternative dispute resolution mechanisms before starting court proceedings. Failure to comply with the Debt Protocol in respect of a claim could adversely affect our ability to pursue litigation in respect of such claim. In addition, the FCA may not regard litigation as an appropriate remedy in certain circumstances. In January 2021, the FCA wrote a ‘Dear Board of Directors’ letter to portfolio firms identifying certain poor practices involving litigation, including seeking judgement from vulnerable customers. The FCA stated that it expects firms to pay due regard to the interests of their customers and treat them fairly.

Portugal

Hefesto is a regulated securitization vehicle (*sociedade de titularização de créditos*) which is a limited liability commercial company (*sociedade anónima*) established for the exclusive purpose of carrying out securitization transactions in accordance with Decree-Law no. 453/99, of November 5, 1999 (the “**Securitization Law**”). Hefesto is subject to the supervision of the CMVM and its incorporation was subject to prior authorization by the CMVM.

The acquisition of qualifying holdings in Hefesto is subject to prior notification to the CMVM. The CMVM may oppose the proposed acquisition if it considers that the proposed acquisition does not contribute to sound and prudent management of the company. This also applies to the indirect acquisition of qualifying holdings.

The Securitization Law provides that members of the board of directors and members of the supervisory board must be registered with the CMVM and must meet certain standards as regards their professional qualifications and personal reputation. Hefesto carries out securitization transactions by means of the acquisition of loans and the issue of debt securities (securitization notes) to finance the payment of the purchase price for the acquired loans. The securitization notes are subscribed by investors and include our Group and third-party investors.

Once transferred to Hefesto, the loans constitute a segregate estate allocated exclusively to the issuance of the securitization notes, under a complete segregation of assets/liabilities principle (*património autónomo*), and will therefore only be available to satisfy the claims of the holders of the relevant securitization notes (according to the applicable priorities) and other creditors of the Issuer do not have any right of recourse over the loans portfolio until there has been a full discharge of the Issuer's liabilities towards the holders of the relevant securitization notes and the other transaction creditors. The rights of the holders of the relevant securitization notes regarding the payment of principal and interest (together with the rights of the other transaction creditors) rank senior to the rights of any other creditor of Hefesto in relation to the loans that back the relevant notes. The loans will therefore not be available to creditors of Hefesto other than the holders of the relevant securitization notes (and other transaction-related creditors) until there has been a full discharge of the Issuer's liabilities towards the noteholders and the other transaction creditors. The holders of the relevant securitization notes are also not entitled to claim against Hefesto's own funds or the assets backing other notes issued by Hefesto.

Whitestar acts as servicer for securitization transactions made under the Securitization Law and is to such extent also subject to supervision by the CMVM. The Securitization Law provides that whenever the originator is a credit institution, servicing of the securitized loans shall in principle be carried out by the originator on behalf of Hefesto. However, in duly justified cases, the CMVM may authorize that servicing to be carried out by an entity other than the originator, such as Whitestar. Such authorization will depend on the evaluation of systems and experience of the servicer.

Our purchase of non-performing loan portfolios from Portuguese credit institutions generally are not considered to constitute a regulated activity in Portugal and, together with our engagements of local agencies, fall under the general rules of the Portuguese Civil Code.

Portuguese laws applicable to consumer loan agreements (including the transposed EU Directive described above), such as consumer credit regulations, prohibition on agreements being on unfair terms and other statutory requirements continue to apply to the Portuguese loan portfolios even after we have acquired them. The collection process in Portugal involves bringing judicial proceedings, and courts might strike down certain clauses of the relevant credit agreements that are considered to be in breach of consumer credit regulations and other local statutory requirements, or deemed to be unfair terms.

We must comply with local law on personal data being, the GDPR, Law no. 58/2019 of August 8, which ensures the implementation in Portugal of the GDPR, and Law no. 41/2004 of August 18, which implements in Portugal the ePrivacy Directive (Directive 2002/58/EC). Norfin is authorized to manage undertakings for collective investment in property by CMVM which supervises its activity and is subject to the local implementation of the AIFMD and additional local regulation such as the Decree Law no. 27/2023, of April 28, which sets forth the Portuguese Asset Management Regime (*Regime da Gestão de Ativos*).

The Netherlands

In the Netherlands, in order to act as an intermediary in respect of consumer credit and/or mortgage credit and to offer consumer credit and/or mortgage credit (including activities relating to the servicing of existing credit agreements granted by third parties), we must have and maintain licenses granted by the Autoriteit Financiële Markten (the "**AFM**") and the Vesting Group entities that have such licenses must comply with ongoing requirements and rules of conduct. These ongoing requirements include: (i) suitability and reliability of the (co)-policymakers; (ii) the competence of certain key employees; and (iii) ethical management (*integere bedrijfsvoering*). The licensed Vesting Group entities also are required to follow certain rules of conduct and should, among others, be affiliated with the Office for Credit Registration (*Bureau Krediet Registratie*) and a qualified dispute authority (*geschilleninstantie*) and keep proper administrative records of complaints.

Failure to meet these requirements can result in AFM disciplinary actions or sanctions such as an instruction *(aanwijzing*) to adopt a certain course of action, an order for incremental penalty payments (*last onder dwangsom*) or an administrative fine (*boete*). The AFM may impose other specific sanctions including, but not limited to, resignation of one or more managing directors or revocation of the license. Additionally, failure to meet certain of these requirements, including licensure, could amount to a criminal offense pursuant to the Economic Offenses Act (*Wet economische delicten*).

Vesting Group

The Vesting Group includes Dutch entities that are subject to the AFM regulatory framework. One of these entities holds a license allowing it to grant and act as an intermediary with respect to consumer credit and mortgage credit, and another one of these entities holds a license allowing it to grant consumer credit. Additionally, a number of Dutch entities have been registered as an "affiliated entity" (*aangesloten instelling*) of the Dutch company holding a license to grant and act as an intermediary with respect to consumer credit and mortgage credit. The licensed Dutch company is responsible for the affiliated entities' compliance with the rules of conduct and instructions given by the AFM. Each affiliated entity should be affiliated with the Office for Credit Registration (*Bureau Krediet Registratie*).

Guidelines

In November 2016, the AFM published guidelines in relation to consumer credit and debt collection servicers (*Leidraad: Consumenten en Incassotrajecten*), which were adopted in December 2018. The AFM provided guidelines on the responsibilities of consumer credit providers in case of payment delays and certain other risks associated with the sale and transfer of consumer credit receivables or credit agreements. In such cases, according to the guidelines, the consumer credit lender must secure the interests of its client after such transfer. Such measures should be contractually secured in the case of transfer of the receivables or credit agreement. Consumer credit lenders are not required to follow the guidelines and may use other solutions to focus on clients' interests in case of payment delays in accordance with the applicable laws and regulations.

Data protection

We are required to comply with the data protection regulatory framework provided by the GDPR, as well as associated rules, regulations and guidance issued by the relevant regulators on national and European level.

The data protection regulatory framework imposes rules and restrictions on companies with respect to the processing of personal data. Under these rules, personal data may only be processed in a fair, lawful and transparent manner. This means the requirement (among others) that personal data must be accurate and up to date, and may only be processed for legitimate purposes and not be further processed in a manner that is incompatible with those purposes. Also, the processing of personal data must be limited to what is necessary in relation to the purposes of the processing. This includes for example storage limitation requirements.

Furthermore, companies are required to take appropriate security measures to protect the personal data against loss (in a broad sense). Where third parties are being involved in the processing of personal data, or where personal data is being transferred to other countries, appropriate (contractual) arrangements must be put in place in accordance with the requirements laid down in the data protection regulatory framework.

Failure to comply with the data protection regulatory framework can result in administrative fines (under the GDPR up to €20 million or up to four percent of the total worldwide annual turnover of the preceding financial year, whichever is higher), as well as criminal charges, breach of contract and damages actions, prohibitions on processing personal data, and reputational damage.

Italy

The Zenith Group's main business is carrying out servicing activity in Italy, including: management and collection of receivables; cash and payment services in relation to securitizations; and assessment of compliance of securitization transactions with the applicable regulatory framework. For this reason, Zenith is subject to regulation under Article 106 of Legislative Decree September 1, 1993, No. 385, as amended (the "**Italian Banking Act**"), as implemented by, *inter alia,* Bank of Italy Circular no. 288 of 3 April 2015, as subsequently amended.

Before granting authorization under Article 106, the Bank of Italy carries out an assessment of the applicant and its business plan, including, among others, the integrity, fairness and professional requirements that the members of the corporate bodies must meet; the shareholding structure; the financial soundness and the business plan. After obtaining the necessary authorization, financial intermediaries are subject to ongoing supervision by the competent authorities and are required to comply with various regulatory requirements concerning the following matters, among others:

- *Prudential capital requirements*: Financial Intermediaries, such as Zenith, are subject to a light regime in terms of own funds requirements as laid down by EU Regulation No. 575/2013 and EU Directive No. 2013/36, as subsequently amended, supplemented and reinstated; further prudential ratios and requirements may apply depending on the type of activities effectively carried out by the relevant financial intermediary.

- *Approval requirements for the acquisition of qualified shareholdings*: The direct or indirect acquisition of a controlling stake, a considerable stake (i.e., a stake ascribing voting rights or a share capital of at least 10%, 20%, 30% or 50%), or a stake enabling the holder to exercise a significant influence over the intermediary's management is subject to prior authorization from the Bank of Italy. In addition, the acquisition of control over a company holding the participants mentioned above in a financial intermediary is subject to prior authorization from the Bank of Italy.

- *Corporate governance*: The members of corporate bodies are required: to have adequate experience in the financial sectors, to be without a criminal record, to be independent of family or professional connections with members of other corporate bodies, and to not hold similar offices in competing companies. Moreover, the corporate governance model must ensure the efficiency and fairness of the management and the effectiveness of the internal controls.

- *Policies and procedures concerning internal audit, risk management and outsourcing*: The internal controls must consist of rules, processes and policies that ensure compliance of the business with the applicable laws and regulations and that entail assessment of the suitability of the overall internal control system and the IT infrastructure on an ongoing basis.

- *Compliance with the Information and Communication Technology (ICT) risks*: Financial intermediaries, such as Zenith, may in the coming months become subject to requirements, arrangements and measures equivalent to those laid down by Regulation (EU) 2022/2554/EU in terms of digital operational resilience. To date, neither the Italian legislator nor the Italian competent regulator (i.e., the Bank of Italy) has so far enacted a draft decree setting forth the digital operational regime for financial intermediaries and, as such, it is currently not possible to foresee how onerous the compliance with these newly introduced requirements would be on Zenith's side.

- *Supervisory reporting*: The Bank of Italy performs its supervisory tasks through an extensive analysis of the information periodically provided (statistical, accounting and administrative).

Failure to meet these requirements typically results in the Bank of Italy taking disciplinary action, such as special inspections (in addition to the routine inspections that the authorities periodically carry out) and other types of assessments, which can result in criminal and administrative sanctions and, in the case of major breaches, revocation of the firm's authorization. Specifically, the authorization can be revoked for the following reasons: serious irregularities in the management of the intermediary or serious breaches of applicable law, regulations or statutory provisions; expected serious capital losses; and justified requests of revocation from the management bodies, the shareholders (i.e., the resolution at an extraordinary shareholders' meeting), the special administrator or liquidator; and/or non-exercise of licensable activities by the financial intermediary for a period of time exceeding 18 consecutive months.

The revocation of the authorization entails the winding up of the intermediary. During the winding up, which is governed by an ad hoc program, the Bank of Italy can authorize intermediaries to continue doing business on a pro-tempore basis, when required by specific circumstances that are assessed on a case-by-case basis. If the Bank of Italy determines an orderly liquidation is not possible, it may place the financial intermediary under compulsory administrative liquidation (*liquidazione coatta amministrativa*). Compulsory administrative liquidation entails, among others, the dissolution and replacement of the corporate bodies and the appointment of a monitoring committee by the Bank of Italy.

The Bank of Italy is also entitled to carry out inspections to assess compliance with the applicable regulatory requirements, including in relation to the accuracy of the data provided, and/or to gain deeper knowledge of the intermediary and its business operations. If more areas for improvement are identified, the Bank of Italy can issue specific recommendations on the measures to be adopted; it then carries out a follow-up inspection to monitor progress. Conversely, if an irregularity or breach of applicable regulations is discovered, the Bank of Italy can begin a sanctioning procedure against the legal entity and/or the corporate officers deemed liable for the irregularity/breach.

Sagitta business

Under Italian law, in order to act as the AIFM of AIFs within the meaning and for the purpose of AIFMD, a license from the Bank of Italy (upon consultation with CONSOB) is required.

As of the date of this Exchange Offer Memorandum, Sagitta SGR S.p.A., our Italian Fund Manager ("**Sagitta**"), is enrolled in the Bank of Italy Intermediaries Register as an authorized Italian AIFM (*società di gestione del risparmio*, "**SGR**") and is duly authorized to perform the following activities: (a) management of AIFs; (b) portfolio management; and (c) investment advice.

In light of its regulatory status (and in order to maintain it), Sagitta is required to perform its activities in compliance with a set of regulatory requirements mainly stemming from the domestic acts and regulations which implemented the AIFMD in Italy as laid down by, inter alia, the Italian Banking Act, Legislative Decree no. 58 of 24 February 1998 (the "**Italian Financial Act**"), as amended and further implemented by the Bank of Italy Regulation on Collective Asset Management of 19 January 2015, as subsequently amended (the "**BoI Regulation**"), and CONSOB Regulation no. 11971 of 14 May 1999, as subsequently amended, (the "**Issuer Regulation**").

The granting of the SGR license by the Bank of Italy is conditional upon compliance with certain requirements such as: (a) suitability of the qualified shareholders to ensure a sound and prudent management of the AIFM and to enable the effective exercise of the Bank of Italy's supervision on the AIFM's activity; (b) suitability of the AIFM's group structure not to prejudice the effective exercise of the Bank of Italy's supervision on the AIFM; and (c) completeness of the AIFM's business plan in terms of AIFM's intended business strategies and coherence with the relevant organizational structure of the applicant. Upon obtainment of the SGR license, Sagitta is subject to ongoing regulatory requirements applicable both at the level of the AIFM and AIFs under management. These requirements include inter alia:

(i) *Minimum capital and own funds requirements*: the minimum capital and own funds requirements applicable to Sagitta are laid down by the BoI Regulation. The value of the regulatory capital of SGRs cannot be lower than the *de minimis* share capital amount required for licensing purposes (i.e., EUR 1 million or EUR 500,000 depending on the characteristics of the AIFs under management). Should certain factual circumstances or features so require (i.e., the economic/financial/liquidity status of the relevant SGR and/or its risk profile), the Italian regulator may request that Sagitta complies with more stringent own funds / minimum capital requirements;

(ii) *Approval requirements for the acquisition of qualified shareholdings*: the direct or indirect acquisition of a controlling stake, a considerable stake (i.e., a stake ascribing voting rights or a share capital of at least 10%, 20%, 30% or 50%), or a stake enabling the holder to exercise a significant influence over the SGR's management is subject to prior authorization from the Bank of Italy. In addition, the acquisition of control over a company holding the participations mentioned above in an SGR is subject to prior authorization from the Bank of Italy;

(iii) *Corporate governance*: the members of corporate bodies are required: to have adequate experience in the financial sectors; to be without a criminal record; to not have played similar roles in intermediaries being admitted to insolvency procedures, Compulsory Administrative Liquidation or Extraordinary Administration (as both defined below); or equivalent proceedings; and to be independent of family or professional connections with members of other corporate bodies. Moreover, the corporate governance model must ensure the efficiency and fairness of the management and the effectiveness of the internal controls;

(iv) *Policies and procedures concerning internal audit, risk management and outsourcing*: the internal controls must consist of rules, processes and policies that ensure compliance of the business with the applicable laws and regulations and that entail assessment of the suitability of the overall internal control system and the IT infrastructure on an ongoing basis;

(v) *Requirements applicable to the management and marketing of AIFs*: save for and in addition to the requirements outlined under limb (vi) below, when setting up and managing AIFs, Sagitta must comply with: (a) requirements pertaining to the open or closed structure (and related investors' participation modalities) of the AIFs, which depend on assets the relevant AIF intends to invest in; (b) eligible assets requirements for the AIF depending on the regulatory structure of the AIFs (i.e., open-ended as opposed to closed-ended) and / or the categories of investors who can lawfully invest in the quotas/shares of the AIFs (i.e., "professional investors" under AIFMD which substantially correspond to "professional client" under MiFID II, as opposed to general public / retail investors under MiFID II); (c) *de minimis* content of the AIF's regulation and by-law. For AIFs offered to retail investors, the AIF's regulations is subject to prior approval from the Bank of Italy; (d) requirements applicable to the marketing of AIFs, including prior document clearing with CONSOB and, to the extent applicable, "local facilities" to be made available to investors (an exemption applies for AIFs offered to professional investors);

(vi) *Asset separation regime*: under Italian law, the assets and liabilities pertaining to the AIF (and/or to any sub-funds thereof) constitutes a ring-fenced asset which is distinct and separate from the assets and liabilities of the relevant SGR and those of each participants to the AIF. This basically means that any obligations that the SGR enters into in the name of the AIF shall be exclusively satisfied out of the AIF's assets; the SGR's creditors cannot file enforcement / executive claims against the assets of the AIFs; and the individual creditors of each participant in the AIF can only file executive / enforcement claims pertaining to the shares / quotas in the AIFs belonging to the relevant investor; and

(vii) *Reporting requirements*: the Bank of Italy performs its supervisory tasks through inter alia the information periodically provided to it by SGRs (through statistical, accounting and administrative reports). The amount and nature of the information to be periodically submitted to the Bank of Italy may vary depending on the characteristics and features characterizing the funds under management.

Failure to meet the requirements listed above may result in the Bank of Italy and/or CONSOB taking disciplinary action against Sagitta, such as special inspections (in addition to the routine inspections that the authorities periodically carry out) and other types of assessments and/or in criminal and administrative sanctions and may, in the case of major breaches, lead to the revocation of the firm's authorization.

In light of the regulatory status of Sagitta and the asset separation regime which apply in relation to the AIFs under management, there is an ad hoc insolvency / liquidation regime. In particular:

<u>The AIF's liquidation procedure</u>

According to the provisions laid down by Article 57 of the Italian Financial Act, in the event that the assets of the AIF are insufficient to satisfy the obligations of such fund and there are no reasonable chances to overcome such financial distress, one or more creditors and / or the relevant SGR may request the winding-up of the relevant fund to the competent court of the territorial district where the SGR is incorporated. The presiding judge, upon consultation with the Bank of Italy and the legal representatives of the SGR, declares the winding-up of the fund if they consider that the financial / economic situation of the fund in question may seriously prejudice the interest of the creditors of the fund.

Upon commencement of the insolvency proceeding, the Bank of Italy is then required to appoint one or more liquidators, who will be in charge of administering the fund and liquidating the relevant assets, and a three-members supervisory committee whose main role is to assist the liquidators in the liquidation of the insolvent funds. Generally speaking, the SGR may act as the liquidator of the funds under its management (upon appointment of the Bank of Italy in this respect).

<u>The SGR's insolvency procedures</u>

SGR may be admitted, upon decree issued by the Minister of Economy and Finance, to the compulsory administrative liquidation of the SGR, a special bankruptcy proceeding applicable to certain regulated types of businesses for which there is a particular control by the public authorities to safeguard general interests (the "**Compulsory Administrative Liquidation**") where the relevant SGR:

- is no longer able to meet its obligations;
- is facing serious financial losses;
- has inadequately managed the funds under its management (*mala gestio*); and
- has acted in serious breach of the requirements applicable to the performance of its activity.

The above decree, which may be issued by the MEF upon request coming from the Italian regulators (i.e., CONSOB and / or the Bank of Italy), or the SGR's competent executive bodies; or liquidators/commissioners, as the case may be, would entail the revocation of the SGR's license to perform its licensable asset management activities.

The Bank of Italy appoints one or more liquidators entitled to carry out all actions relating to the management of the SGR and the liquidation or assignment of the assets previously held by such entity (including assets pertaining to funds managed by it). The liquidators have the legal representation of the SGR and, in the exercise of their functions, are considered public officers.

As from the date of the commencement of the Compulsory Administrative Liquidation, the payments by the SGR of any type of debtor's liabilities are suspended; the creditors are prohibited from undertaking or continuing executive measures against the debtor (i.e., the SGR) and its assets; and the internal bodies in charge of the management of the funds are dismissed.

As to the funds under management of the insolvent SGR, according to Article 57(3-bis) of the Italian Financial Act, the liquidators may decide to either transfer (to another SGR) or liquidate the funds (or any sub-funds thereof) depending on the financial and economic performance of these funds (or the sub-funds). Should the funds or sub-funds be liquidated, the unitholders would be entitled to restitution exclusively against the net sum resulting from the liquidation procedure and in proportion to the value of the quotas/shares held in the liquidated fund/sub-fund. Therefore, unitholders of a liquidated fund previously managed by an SGR admitted to the Compulsory Administrative Liquidation, should be prevented from challenging the statement of liabilities (*opposizione allo stato passivo*) pertaining to the SGR.

Without prejudice to the above, should certain conditions be met, SGRs may also be submitted to a reorganization/restructuring procedure aimed at preventing a declaration of insolvency and consequent liquidation. In particular, in the event of (a) serious administrative irregularities or a breach of applicable legislative or statutory provisions by an SGR in relation to its activity; (b) potential financial losses of serious / material value which cannot be overcome by the appointment of a commissioner; or (c) the dissolution of the SGR being requested by the administrative bodies or by the extraordinary shareholders meeting, the SGR may be admitted to proceedings for extraordinary administration (*amministrazione straordinaria*) (the "**Extraordinary Administration**").

The Extraordinary Administration proceedings are established by a resolution of the Bank of Italy and may last for a maximum of one year starting from the enactment of the relevant Bank of Italy resolution (such period can be extended for another one-year period). Upon commencement of the Extraordinary Administration, the Bank of Italy appoints one or more commissioners and, provided that certain conditions are met, the payments by the SGR of any type of debtor's liabilities may be suspended. Under the Extraordinary Administration proceedings, the commissioners would *de facto* replace the administrative and executive bodies in the management of the SGR and would be in charge of (a) attesting the current financial and economic situation of the entity; (b) removing or correcting any reported irregularities; and (c) promoting solutions being useful in the interest of the creditors as well as for the sound and prudent management of the relevant SGR.

Therefore, under the Extraordinary Administration proceedings, the commissioners would continue to manage the funds under management of the SGR unless such activity is detrimental for the creditor's interest and/or the ensuring of a sound or prudent management of the SGR.

At any time, such proceeding may be converted into the Compulsory Administrative Liquidation (mainly in the event of a worsening of the economic/financial picture, despite the actions undertaken by the commissioners).

Data protection

We are required to comply with the GDPR, the Italian Personal Data Protection Code (Legislative Decree No. 196 of 30 June 2003) as amended by Legislative Decree No. 101 of 10 August 2018 and the Italian Data Protection Authority ("**Garante per la Protezione dei Dati Personali**" or "**Garante**") measures, taking into consideration the principles of lawfulness, correctness and relevance of data processing, and with the related best practices for collection of receivables, as set out in the Data Protection and Privacy Authority Act of November 30, 2005 as well as other decisions and guidelines issued by such authority (*inter alia*, guidelines for complying with data protection laws and regulations in the context of the collection of receivables (issued on April 18, 2016) and the note regarding the new regulatory provisions concerning call center activities (issued on February 28, 2017). The Garante is an independent administrative authority that was set up to protect fundamental rights in connection with the processing of personal data; it carries out the following tasks, among others:

- verifying that the data processing is carried out in compliance with the applicable law and regulations and the related notification, including in relation to the termination of processing and the retention of traffic data;

- receiving reports and complaints; it is also required to take the appropriate steps with regard to complaints lodged by other data subjects or by the associations representing them;

- instructing data controllers/processors to adopt measures as necessary or appropriate to ensure the processing complies with the applicable law and regulations;

- prohibiting unlawful or unfair data processing, in whole or in part, or blocking such processing operations, and taking other measures as provided for by applicable law; and

- giving opinions whenever required.

Failure to comply with the Italian data protection legislation can entail administrative fines, criminal charges, breach of contract and damages actions, prohibition on processing personal data, and reputational damage.

Anti-money laundering

We are required to comply with Legislative Decree No. 231 of November 21, 2007, as amended and also implemented by several provisions issued by the Bank of Italy, pointing out the anti-money laundering and antiterrorism duties, such as by way of example in terms of internal organization, customer due diligence and record keeping obligations. Failure to comply can entail, for both the individual involved and the firm, administrative fines, criminal charges, temporary prohibition on the corporate officers from holding similar positions in the firm, cease and desist orders, and public admissions of the breach.

Ireland

Regulation of credit servicing firms

The Consumer Protection (Regulation of Credit Servicing Firms) Act 2015 (the "**Irish CSA 2015**") entered into force in 2015. Pursuant to the terms of the Irish CSA 2015, certain borrowers of regulated entities (whose loans are sold) are afforded the same protection to which they would have been entitled had their loans not been sold. The Irish CSA 2015 makes certain amendments to the Central Bank Acts 1942 to 2015 (the "**CBAs**") and the Consumer Credit Act 1995 (the "**Irish CCA**"). The Irish CSA 2015 amended the CBA 1997 to expand the definition of "regulated financial service providers" to encompass a new type of regulated entity, namely credit servicing firms. A further amendment to the CBA 1997 was made by way of the Consumer Protection (Regulation of Credit Servicing Firms) Act 2018 (the "**Irish CSA 2018**") which had the effect of requiring otherwise unregulated legal title holders of credit agreements to also become authorized as credit servicing firms.

Credit servicing firms come within the definition of "regulated business" under the CBA 1997, as amended by the Irish CSA 2015 and Irish CSA 2018, and are therefore required under the CBA 1997 to obtain authorization from the CBI in order to provide credit servicing activities (as outlined below).

A credit servicing firm includes (i) a person who (a) undertakes credit servicing other than on behalf of a regulated financial service provider authorized, by the CBI or an authority that performs functions in an EEA country that are comparable to the functions performed by the CBI, to provide credit in Ireland, or (b) holds the legal title to credit granted under a credit agreement in respect of which credit servicing is not being undertaken by a person authorized to carry on the business of a credit servicing firm, and (ii) is a regulated financial services provider authorized to carry on the business of a credit servicing firm in accordance with the CBA 1997.

Under the CBA 1997, "credit servicing," in relation to a credit agreement, means holding the legal title to credit granted under the credit agreement, managing or administering a credit agreement, including: (i) notifying the relevant borrower of changes in interest rates or in payments due under the credit agreement or other matters of which the credit agreement requires the relevant borrower to be notified; (ii) taking any necessary steps for the purposes of collecting or recovering payments due under the credit agreement from the relevant borrower; and (iii) managing or administering any of the following:

- repayments under the credit agreement;

- any charges imposed on the relevant borrower under the credit agreement;

- any errors made in relation to the credit agreement;

- any complaints made by the relevant borrower;
- information or records relating to the relevant borrower in respect of the credit agreement;
- the process by which a relevant borrower's financial difficulties are addressed;
- any alternative arrangements for repayment or other restructuring;
- assessment of the relevant borrower's financial circumstances and ability to repay under the credit agreement;
- determination of the overall strategy for the management and administration of a portfolio or credit agreement; and
- maintenance of control over key decisions relating to such portfolio.

Under the CBA 1997, "credit servicing" also includes communicating with relevant borrowers in respect to any of the above listed matters.

In addition to the CBA 1997, the Credit Servicers and Purchasers Directive has been transposed into Irish law via the European Union (Credit Servicers and Credit Purchasers) Regulations 2023 (the **"Credit Servicing Regulations"**), in effect since December 30, 2023. The Credit Servicing Regulations apply to the sales and servicing of NPLs issued by a credit institution established in the European Union.

The existing Irish credit servicing regulatory framework under the CBA 1997 now operates alongside the new EU regime, effectively creating two parallel regimes. The existing domestic regulatory regime for credit servicers and credit purchasers (including the obligation of the legal title holder of loans to be authorized) continues to apply to matters and agreements not expressly covered by the scope of the Credit Servicing Regulations.

If credit servicers carry out credit servicing activities that fall within the scope of the Credit Servicing Regulations (i.e., the servicing in Ireland of NPLs originated by EU credit institutions on behalf of purchasers who are not EU credit institutions) and are not otherwise exempt, they will need to be either (i) authorized as a credit servicer under the Credit Servicing Regulations or (ii) authorized as a credit servicer under the equivalent transposing regulations for the Directive in a different Member State and passport that authorization into Ireland under the terms of the Credit Servicing Regulations.

Consumer Protection in Ireland

The Consumer Protection Act 2007 of Ireland (the "**CPA**") came into force in 2007. The CPA implements the Unfair Commercial Practices Directive in Ireland. Under the CPA, there are four principal heads of offenses: Unfair Commercial Practices, Misleading Commercial Practices, Aggressive Commercial Practices and Prohibited Commercial Practices.

In respect of most offenses (other than, for example, pyramid selling schemes), the CPA contains a defense of "due diligence." This defense is available where the accused proves the commission of the offense was due to a mistake or the reliance on information supplied to the accused or to the act or default of another person, an accident of some other cause beyond the accused's control, and that the accused exercised due diligence and took all reasonable precautions to avoid the commission of the offense. Due diligence means the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or the general principle of good faith in trader's field of activity.

Under the CPA, both civil proceedings and criminal proceedings may be brought against a trader engaging in an unfair act or practice albeit this should not impact on the enforceability of the underlying contract itself.

Any affected person, including consumers, other traders, and the Competition and Consumer Protection Commission ("**CCPC**") may bring civil proceedings under the CPA for a prohibition order against a trader engaging in an unfair act or practice. The CCPC may also serve a compliance notice on a trader whom it considers to have engaged in an unfair commercial practice. A consumer aggrieved by an unfair commercial practice also has a right of action for damages.

The CCPC is also empowered to institute summary proceedings for breaches of the CPA relating to misleading, aggressive and prohibited practices. A trader found guilty of an offense on summary conviction will be liable to a fine not exceeding €3,000 and/or six months imprisonment for a first offense and a fine of €5,000 and/or 12 months imprisonment for subsequent offenses. Proceedings on indictment will be taken by the Director of Public Prosecutions (the "**DPP**"). On a first conviction on indictment an offending trader may be fined up to €60,000 and/or 18 months imprisonment and subsequent convictions carry a fine of up to €100,000 and/or 24 months imprisonment.

The Unfair Commercial Practices Directive is stated to be without prejudice to contract law and the rules of the validity, formation or effect of a contract. There is, as yet, no reported case law on the CPA.

Conduct of Business Rules applicable to Credit Servicing Firms

Code of Conduct on Mortgage Arrears (the "**CCMA**")

The CCMA is a legally binding code published by the CBI on the handling of mortgage arrears and pre-arrears. A pre-arrears case arises where a borrower contacts the relevant lender to inform them that he/she is in danger of going into financial difficulties and/or is concerned about going into mortgage arrears or when the relevant lender itself identifies that this is likely to occur.

The CCMA applies to the mortgage lending activities of lenders to borrowers in respect of their primary residence or in respect of the only residential property in Ireland owned by the borrower and accordingly will apply to the activities of Mars Capital Ireland in its capacity as a credit servicing firm, in its servicing of such mortgages. The CCMA sets out what the lender must do when managing mortgage arrears and pre-arrears cases and provides for, among others, the actions a lender is required to take to address mortgage arrears before resorting to repossession of the relevant property.

As the CCMA applies to borrowers in respect of their primary residence or where it is the only residential property owned by them in Ireland, the protections afforded by the CCMA should not apply to buy to let mortgages.

Consumer Protection Code

The revised Consumer Protection Code came in to force in 2012 and was subsequently amended in 2015, 2016, 2017 and 2019 (as so amended, the "**CPC**"). The Consumer Protection Code sets out how lending institutions must deal with personal consumers, who are defined as natural persons acting outside his/her business, trade or profession, and with consumers, who are natural persons or groups of natural persons acting for personal and/or business purposes or incorporated bodies having an annual turnover of €3 million or less in the previous financial year (provided that such body is not a member of a group of companies having a combined turnover of greater than the said €3 million). Mars Capital Ireland will be subject to compliance with the requirements of the CPC in its capacity as a credit servicing firm. The CPC does not apply to a mortgage loan to which the CCMA applies, but it could apply to a mortgage not in respect of a primary residence, including a buy to let mortgage.

The CBI is currently reviewing the Consumer Protection Code and is expected to issue a revised version during 2025.

Lending to Small- and Medium-Sized Enterprises (SMEs)

The Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small- and Medium-Sized Enterprises) Regulations 2015 were published in 2015. In 2016, the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) (Amendment) Regulations 2016 were published (the "**SME Regulations**"). The SME Regulations replaced the existing SME Code, from July 1, 2016, for regulated lenders. On January 25, 2018, further technical amendments to the SME Regulations were published concerning the definitions of SMEs and took effect immediately. Due to the introduction of new provisions in the SME Regulations in respect to the arrears management and complaints handling of SMEs, Mars Capital Ireland will be subject to compliance with the requirements of the SME Regulations in its capacity as a credit servicing firm if it is servicing SME loans originated after July 1, 2016.

Mars Capital Ireland

In Ireland, in order to manage or service credit agreements in respect of consumer credit and/or mortgage credit (or post July 1, 2016, SME credit), Mars Capital Ireland must have and maintain an authorization granted by the CBI under Part V of the CBA 1997 (as amended by the Irish CSA 2015 and Irish CSA 2018) to provide credit servicing activities. Mars Capital Ireland is also now authorized by the CBI under the Credit Servicing Regulations. In addition, Mars Capital Ireland must comply with statutory obligations under the GDPR and the Irish Data Protection Acts and any binding guidance and/or codes or practice issued by the DPC or the EDPB.

Anti-Money Laundering

Mars Capital Ireland is a regulated financial service provider authorized under Irish law and so it is required to have policies, procedures and internal controls in place to prevent and detect money laundering and terrorist financing, in order to comply with the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010, as amended (the "**CJA 2010**") (which transposes Directive (EU) 2015/849 (as further amended by Directive (EU) 2018/843) into Irish law).

Our Risk Management and Compliance

Risk Management Framework

At the center of our risk management framework is our values, vision and the culture embedded within the Group. Effective risk management is closely aligned to our strategic goal of building better financial futures, while our three lines of defense model enables all colleagues to own and manage risk in a manner, which supports well-informed decision-making with a view to mitigating risks.

Our enterprise-wide risk management framework defines a common approach across the whole organization. The framework is based upon our three core risk categories: strategic, financial and operational, with related details cascading from these areas, and is continually monitored and reviewed to ensure it remains suitable for the size, scale and complexity of our business. This framework includes:

- Embedding the three lines of defense throughout the firm;
- Robust governance structures;
- Ensuring clarity of roles and responsibilities;
- Establishing and monitoring of risk appetite;
- A policy suite that is consistently applied across the business;
- Risk management aimed at understanding risks and enabling proportionate risk mitigation;
- Controls to identify and address new and emerging risks;
- Recognition and maintenance of resilience plans; and
- Escalation and risk reporting.

Governance of Risk Management

The risk framework and risk management is governed via our Audit and Risk Committee, which is supported by risk committees at our local platforms alongside functional risk reports. We continue to embed and mature risk management processes which effectively identify, report, measure and manage risk. Risk committees, within each jurisdiction that we operate, continue to be run independently and focus on our country-based regulatory and legal status. We retain central control in certain areas, such as underwriting, origination, treasury and tax, where there are benefits of a Group-wide approach. We believe that our vertically integrated model enables us to better monitor, manage and control our risks. This approach allows for risks to be raised and mitigated with accountability where it is needed.

Delivering on our commitments relies on the ability to successfully identify, assess, respond, monitor and report on risks and opportunities. There is an ongoing focus on the top risks which could impact the business, alongside horizon scanning and monitoring of macro, geopolitical and other emerging risks that may affect the business or wider sector in the future. People and infrastructure commitments, such as local and central compliance monitoring plans as well as compliance training programs, are in place to support these processes, ensuring increased consistency across the Group. We also regularly review and assess our risk framework and risk management system. We believe that our risk culture, aligned to our values, is a commercial differentiator and our ability to deploy Group-wide or country-specific expertise, when required, is a core element of our approach.

An attestation framework where all of our local platforms attest quarterly to the Group in relation to the implementation of Group policies, risk management framework, and provide a detailed report on key risk, compliance and audit activities and matters is a core element of our governance structure supporting our three lines of defense model.

Three lines of defense model

We operate a three lines of defense model locally at our local platforms and centrally at Group-level. This allows us to operationalize our approach, driving clear accountability into the first line, with Senior Managers (as defined in "*—Regulatory Framework in our Key Jurisdictions of Operation—United Kingdom—Senior Managers and Certification Regime*") retaining approved person status where applicable. This enables a formalized approach to responsibility and ensures embedded behaviors support the long-term sustainability of the business through increased accountability, which is exercised within a framework of high governance standards. This has been particularly evident with the establishment of the Senior Managers and Certification Regime in the United Kingdom, which has provided rigor to the structured approach already adopted. It has formalized the basis around which decisions are taken and executed whilst ensuring we maintain a focus on customer conduct issues throughout all parts of the business. This is an approach that runs through our culture and values and is, therefore, evident in our businesses, which operate in different regulatory regimes. A summary of the roles and responsibilities relevant to each of the three lines of defense model are shown below:

First line business owners

- Responsible for ownership and accountability of risk management;
- Day-to-day ownership, management and reporting of risks;
- First line implementation and quality control to ensure adherence to risk framework and processes; and
- Responsible for control environment.

Second line risk and compliance

- Provide oversight and challenge;
- Act as a business partner and regulatory interface by way of providing advice, consultation and communication;
- Develop and maintain risk framework and partnership with first line business owners; and
- Provide oversight, monitoring and challenge to provide assurance to relevant boards and governance forums.

Third line internal audit

- Provide independent assurance through formal reviews; and
- Review and challenge the first and second lines of defense.

MANAGEMENT

Parent

The Parent is a private limited company incorporated under the laws of England and Wales on March 29, 2021, for the purposes of carrying out the activities of a holding company. The Parent's company number is 13299333, and its registered office is Belvedere, 12 Booth Street, Manchester, United Kingdom, M2 4AW. The Parent is the holding company of the Group, and the board of directors of the Parent (the "**Board of Directors**") is responsible for the overall management and control of the Group. The Board of Directors control the Group on behalf of, and subject to customary oversight of, our principal shareholder, TDR Capital, including the board of directors of the indirect holding company of the Parent, Sherwood Topco Limited ("**Topco**").

Board of Directors

The following table sets forth the names, ages and positions of the directors of the Parent as of the date of this Exchange Offer Memorandum.

Name	Age	Position
Andrew Fisher	66	Director
Zachary Lewy	50	Director
Monique O'Keefe	51	Director
Philip Shepherd	54	Director

Set forth below is a brief description of the experience of the individuals who serve as members of the Board of Directors.

Andrew Fisher, 66, is a director of the Parent. Mr. Fisher was a non-executive director, senior independent director, and chair of the audit committee of the Group, prior to its acquisition by TDR in October 2021. Until December 2018, Mr. Fisher was the finance director of FTSE100 Provident Financial plc, having been appointed in 2006. He has spent over 20 years as finance director of major listed companies where he has accumulated broad international experience and a considerable depth of knowledge across a variety of consumer credit asset classes. Prior to working in the industry, he was a partner at Price Waterhouse LLP. Mr. Fisher is a chartered accountant and holds a degree in accounting from the University of Leeds.

Zachary Lewy, 50, is a director of the Parent and serves as Chief Executive Officer and Chief Investment Officer (see "*—Senior Management*" below). Mr. Lewy founded Arrow in 2005. He has over 25 years of executive experience in investment management and asset servicing. Mr. Lewy was the CEO of Arrow from its inception in 2005 until 2011 when he changed the structure to focus on running the investment business. During his years with the Group, Mr. Lewy has supervised over 1,000 deals and is currently a lead Principal in Arrow's fund manager. He led the fundraising process for the ACO I fund, the largest inaugural private credit fundraise globally in 2020 and the fourth largest private credit fundraise overall in Europe in 2020. Prior to joining Arrow, Mr. Lewy was an Officer of Sallie Mae, a Director at Vertex (the BPO division of United Utilities), and a Founder and Executive Director of 7C (a UK BPO company acquired by Vertex). He was previously the Chair of the UK Debt Buyers Association and was named an Ernst and Young Entrepreneur of the Year in 2010. Mr. Lewy graduated from Princeton University with a Bachelor of Arts in Economics with Honors and a Certificate in Applied and Computational Mathematics with Honors.

Monique O'Keefe, 51, is a director of the Parent and serves as Chief Risk and Governance Officer (see "*—Senior Management*" below). With over 25 years' experience in finance and law, Ms. O'Keefe joined Arrow in 2019 as Chair of the Investment Manager of Arrow Credit Opportunities. Prior to moving to Jersey, Ms. O'Keefe specialized in structuring complex financing deals for international investment banks in London and New York, most recently at Goldman Sachs as a Senior Banker and Executive Director, and before then as a Director at Merrill Lynch. Ms. O'Keefe has experience working with a variety of organizations spanning government, international investment banks, sovereign wealth funds, major financial institutions and international businesses. Ms. O'Keefe is also the Deputy Chair of the Board of Commissioners of the JFSC. She also sits on the board of the Jersey Resolution Authority and Foresight Solar Fund Limited. Ms. O'Keefe began her career as a lawyer in Australia, before relocating to London to work for the law firm, Clifford Chance. Ms. O'Keefe holds a Bachelor of Law, a Bachelor of Arts and a Masters of Law from University of Queensland, Australia.

Philip Shepherd¸ 54, is a director of the Parent and serves as Group Chief Financial Officer (see "—*Senior Management*" below). Mr. Shepherd is responsible for financial performance, HR, capital allocation and treasury functions. Mr. Shepherd joined Arrow in 2019 as Group Treasurer and was instrumental in the Group's response to the COVID-19 pandemic. Mr. Shepherd has over 30 years' experience in finance and treasury and has held a number of senior treasury and finance roles in different industries and organizations. Prior to joining Arrow, Mr. Shepherd was Group Treasurer at Provident Financial plc for ten years and was Financial Controller and Treasurer at Cheshire Building Society, before becoming Head of Finance for Cheshire and Derbyshire Building Societies following their takeover by Nationwide Building Society. Mr. Shepherd has also worked in the retail and leisure sectors. Mr. Shepherd is a qualified Chartered Accountant, an associate member of the Corporate Treasurers Association and holds an Honors degree in mathematics from the University of Sheffield.

Senior Management

The Group CEO has overall responsibility for the Group's executive management and for ensuring implementation of the strategies and policies of the board of directors of the Parent within the approved budgets and timescales. The following table sets out the names, ages and positions of the Parent's senior management:

Name	**Age**	**Position**
Zachary Lewy	50	Founder, Chief Executive Officer and Chief Investment Officer
Robert Leary	63	Chairman of the board of directors of Topco
Philip Shepherd	54	Group Chief Financial Officer
Monique O'Keefe	51	Group Chief of Governance and Risk
John Calvao	52	Fund Principal
Toni McDermott	50	Chief Investment Officer of Credit and Lending
Zachary Vaughan	47	Global Head and Chief Investment Officer of Real Estate
Charlotte Gilbert	40	Managing Director of Client and Product Solutions

The following is a brief description of the experience of each of the members of the Parent's senior management team who do not serve on the Parent's Board of Directors.

John Calvao, 52, serves as Fund Principal. Mr. Calvao's role as Co-Head of the Funds follows from his two-year role as Italy Country Manager, creating and leading Arrow's Italian strategy. During the same period, he played a key role in raising the ACO I fund. Joining Arrow in 2010, Mr. Calvao was Arrow's Portugal Country Manager and Whitestar CEO. Prior to that, Mr. Calvao gained more than 15 years' experience across various international capital markets institutions, including as COO of MIAC Assurance Corporation, Head of Operations at SCA, which he joined after an independent consultant role overseeing the build out of the first independent, NPL servicing company in Portugal, and CIO at Clayton. Mr. Calvao began his career at MBIA. Mr. Calvao holds a Bachelor of Arts degree from Manhattanville College in New York.

Robert Leary, 63, joined the board of directors of Topco (the indirect holding company of the Parent) in January 2024. He brings with him considerable experience of asset management and insurance. His career, spanning over 30 years, includes notable leadership roles such as CEO at ING Investment Management, followed by his position as chief executive officer at Nuveen, a TIAA company, where he managed approximately €850 billion in assets under management. His strategic leadership at The Olayan Group as group chief executive officer notably enhanced their global operations and governance model, overseeing €40 billion in assets under management and 40 operating companies. Mr. Leary also serves as a non-executive director at Citizens Financial Group, Intact Financial Group and Voya Financial. Mr. Leary holds a bachelor's degree in political science from Union College and a law degree from Fordham University School of Law.

Toni McDermott, 50, serves as Chief Investment Officer of Credit and Lending. During her career spanning more than 25 years, Ms. McDermott has invested in and managed performing and non-performing portfolios and businesses across Europe including the United Kingdom, Ireland, Spain, Portugal, Italy, Germany and Greece. Before joining the Group in 2023, she spent three years in Hong Kong running Morgan Stanley's APAC Loan Solutions and Securitization Group. In Europe, Ms. McDermott was responsible for Centerbridge's European Asset Backed Special Situations business for almost five years. Ms. McDermott was one of the architects of Deutsche Bank's European Portfolios business. She also has extensive experience in asset-backed and real estate lending, securitization, as well as special servicing businesses. Ms. McDermott is a trustee of Coram's Fields and Harmsworth Memorial Playground. Ms. McDermott holds a Bachelor of Commerce International from the University College Dublin.

Zachary Vaughan, 47, serves as Global Head and Chief Investment Officer of Real Estate. Mr. Vaughan has more than 20 years' experience in real estate investment and asset management. Before joining our Group in 2023, he held several roles at Brookfield's Real Estate Group including Managing Partner, Head of European Real Estate, Head of Multifamily Investments and CEO of Brookfield REIT. Prior to joining Brookfield, Mr. Vaughan was a Director in the Real Estate investment team at CPPIB and Director of Acquisitions at International Property Corporation/Reichmann International. Mr. Vaughan holds a Bachelor of Economics with Honors from Western University.

Charlotte Gilbert, 40, serves as Managing Director of Client and Product Solutions. Charlotte is responsible for and oversees our fundraising efforts and product development. Prior to joining our Group, Ms. Gilbert spent almost five years at Oaktree Capital Management where she was Managing Director, Marketing and Client Relations, and 12 years at Apollo Global Management. Ms. Gilbert holds a Bachelor in Business Studies from the University of Westminster.

Issuer

Board of Directors

The Issuer is a public limited company incorporated under the laws of England and Wales, and a wholly owned finance subsidiary of the Parent. The Issuer's registered business address is Belvedere, 12 Booth Street, Manchester, United Kingdom, M2 4AW.

The following table sets forth the names, ages and positions of the directors of the Issuer as of the date of this Exchange Offer Memorandum.

Name	Age	Position
Philip Shepherd	54	Director
Richard Roberts	49	Director

The following is a brief description of the experience of each director of the Issuer. For further details about the Issuer's directors, see "*—Parent—Board of Directors*" and "*—Parent—Senior Management*" above.

Richard Roberts, 49, is a director of the Issuer. Mr. Roberts joined Arrow in 2017 after 19 years at GE Capital in Private Equity and Mergers & Acquisitions roles. Mr. Roberts is responsible for Arrow Origination and Mergers & Acquisitions and has led the Mars acquisition and the acquisitions of Europa Investimenti, Whitestar Italy, Maslow, Amitra, Drydens and Norfin platforms and has been heavily involved in managing subsequent origination flows. At his time at GE Capital, Mr. Roberts was a senior member of the GE Capital Mergers & Acquisitions/Corporate Development team responsible for the sale of upwards of $30 billion platform/portfolio sales in the 2012 2017 GE Capital disposal plan. Mr. Roberts holds a Bachelor of Arts degree in Modern Languages & European Studies and a Master of Arts (Distinction) in Political Science, both from the University of Bath.

Operational Committees

As part of its risk management framework, the Parent has operated a number of other operational committees, as more fully described below.

Board Level Committees

There are three Board Level Committees: the Audit and Risk Committee, the Remuneration and Nomination Committee and the Group Leadership Committee. These committees are attended by Philip Shepherd (Chief Financial Officer) and Monique O'Keefe (Chief Risk and Governance Officer), in addition to other relevant senior members of management of the Group.

Audit and Risk Committee

The Audit and Risk Committee provides oversight of the financial reporting process, the audit process, the Parent's system of internal controls, the effectiveness of its risk management framework and compliance with laws and regulation and guidance, and any material internal audit matters. The Audit and Risk Committee is chaired by Andrew Fisher and meets at least three times annually.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is tasked to consider key issues in respect of the overall remuneration structure of the Group, and certain key appointments. The Group encourages diversity and recognizes the benefits that diversity bring to the organization. The board is generally opposed to the use of quotas and believes that their arbitrary nature may not pay due regard to the needs of the business and the development of its existing management. However, the board recognizes the value of a range of perspectives, ideas and experiences that diversity brings, whether gender, race, sexual orientation, cultural background, disability, religion or age. The Parent has a clear diversity and inclusion strategy, recognizing that diversity extends beyond gender targets and one that recognizes the importance of building an inclusive environment where colleagues can thrive. The Remuneration and Nomination Committee is chaired by Monique O'Keefe and meets at least once annually.

Group Leadership Committee

The committee is responsible for the delivery of strategy as agreed by the board of directors of the Parent. The Group Leadership committee is provided with weekly reports on key performance indicators, and quarterly reports in respect of the operations of the platforms in certain key areas. On the basis of this management information, the committee monitors the delivery of the Group's strategy on an ongoing basis. The Group Leadership Committee is chaired by Philip Shepherd and meets weekly.

Committees under the Group Leadership Committee

These committees are attended Monique O'Keefe (Chief Risk and Governance Officer), in addition to other relevant senior members of management of the Group.

Portfolio Management, Proprietary Investment and Valuations Committee

The Portfolio Management, Proprietary Investment and Valuations Committee is tasked with reviewing portfolio acquisition transactions by evaluating an investment memorandum prepared by teams involved in the underwriting process. The committee is responsible for determining whether to proceed with the purchase of a portfolio in respect of its investment in the ACO I and ACO II, ALO I and AREO I funds.

Operational Performance Committee

The committee is tasked to monitor the performance and effectiveness of the Group's platforms and the entities comprising them and making tactical decisions to drive improved performance.

Investment Management Committee

The Investment Management Committee is responsible for considering and making decisions to promote the success of the vertically integrated investment strategies of the Group, by promoting key initiatives in respect of raising third party capital, originating investment opportunities, and growing assets under management. The committee makes recommendations to the board on investment policy and strategy.

Sustainability and ESG Committee

The Sustainability and ESG Committee oversees the ongoing delivery of the Group's sustainability agenda and reviews, challenges and supports the Group's approach and progress against agreed ESG initiatives. This committee ensures that the Company is kept appraised of key developments in implementing the ESG and sustainability goals of the Company. See "*Business—Environmental, Social and Governance.*"

Fund Manager – Governance and Committees

Given the role, responsibilities and regulations governing the Fund Manager, further governance arrangements exist within the Fund Manager. The board of directors of the Fund Manager is chaired by Monique O'Keefe and additionally comprises three appointees from the Group and two appointees from Saltgate Limited, a Jersey regulated administrator and licensed to act as a manager of a managed entity (such administrator, the "**MoME**").

The Fund Manager's board of directors has a number of sub-committees that are responsible for appraising and approving investment decisions by the Fund Manager (i.e., the Investment Committee), reviewing, monitoring and approving the valuation of investments on a quarterly basis (i.e., the Valuations Committee), reviewing and monitoring performance of the asset management and servicing arrangements for each investment (i.e., the Management Engagement Committee) and reviewing the financial statements, assessing audit issues and process, monitoring accounting, tax and treasury matters (i.e., the Audit and Risk Committee).

Compensation of Directors and Management

The aggregate remuneration paid to the Board of Directors and key management personnel of the Parent was £7.6 million for the year ended December 31, 2023. The remuneration included fixed salary and certain performance-related bonus.

PRINCIPAL SHAREHOLDERS

The Issuer is a public limited liability company incorporated under the laws of England and Wales and a wholly owned subsidiary of the Parent. The issued and outstanding share capital of the Parent is indirectly controlled by TDR Capital.

TDR is a leading private equity firm with over €15 billion of assets under management and typically invests in strong European companies that are leaders in their markets. TDR has a 22-year track record of working collaboratively with portfolio company management teams to deliver on a shared vision for growth and value creation, leveraging its investment, operational and data science expertise. TDR not only invests capital in portfolio companies, but also provides expert team resources to help bring about sustainable, positive and transformational change within its businesses.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

From time to time, we may enter into transactions with certain related parties or our affiliates in the ordinary course of business. These agreements and transactions are carried out on arm's-length terms. Set forth below is a description of certain of our material related party transactions.

Management Equity Plan

We have established a management incentive plan that entitles certain members of our senior management and certain senior employees to purchase shares in Topco. In accordance with this plan, participants purchase shares at the fair value market price of the shares at grant date and we have also provided members of our management loans to make these purchases.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material terms of our principal financing arrangements after giving effect to the Transactions. The following summaries do not purport to be complete or describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the underlying documents. In addition, capitalized terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable. Capitalized terms defined in this section shall specifically have the meaning given to them in this section and not in the other sections of this Exchange Offer Memorandum.

New Revolving Credit Facility Agreement

The New Revolving Credit Facility Agreement to be dated on or about the Settlement Date provides for a multicurrency revolving credit facility in an aggregate amount of £285.0 million (the "**New Revolving Credit Facility**"). The New Revolving Credit Facility may be drawn by way of cash advances or the issue of letters of credit or ancillary facilities. The New Revolving Credit Facility is permitted to be used, directly or indirectly, in whole or in part, towards (i) the refinancing, purchasing or otherwise discharging of any indebtedness of the Restricted Group, (ii) financing or refinancing transaction costs and (iii) the general corporate purposes and/or the working capital requirements of the Restricted Group (including for any acquisitions or capital expenditure).

In addition, the Parent, in its capacity as obligors' agent may elect to request additional facilities either as a new facility or as additional tranches of the New Revolving Credit Facility (the "**Revolving Incremental Facilities**"). The Parent and the lenders in respect of the Revolving Incremental Facilities may agree to certain terms in relation to the Revolving Incremental Facilities, including the margin and the termination date (subject to parameters as set out in the New Revolving Credit Facility Agreement). The indebtedness incurred under the Revolving Incremental Facilities must be otherwise permitted under the New Revolving Credit Facility Agreement.

Maturity and Availability Period

The New Revolving Credit Facility matures on June 15, 2029. If at any time during the 3 month period prior to the earliest maturity date of the Outstanding Existing Notes, the amount of the Outstanding Existing Notes that remain outstanding exceeds the greater of (i) 15 per cent. of the amount of the Existing Notes outstanding immediately prior to the Settlement Date; and (ii) available liquidity (which includes cash and cash equivalents and undrawn commitments), then the maturity of the New Revolving Credit Facility will "spring" to that time.

The New Revolving Credit Facility is available to be drawn from and including the date of the New Revolving Credit Facility Agreement up to and including one (1) month prior to the maturity date specified in the paragraph above.

Interest and fees

Loans under the New Revolving Credit Facility Agreement initially bear interest at the aggregate of 3.75% per annum and (in the case of Loans in U.S. dollars) SOFR, or (in the case of loans in Euros) EURIBOR or (in the case of Loans in pounds sterling) SONIA-based rate.

The margin for each loan under the New Revolving Credit Facility Agreement is subject to adjustment by reference to the consolidated senior secured leverage ratio as shown in the quarterly financial statements or, as the case may be, the annual financial statements for the relevant period and the related compliance certificate, to equal the rate per annum set out in the following table:

Consolidated senior secured leverage ratio	New Revolving Credit Facility margin (% p.a.)
Greater than 4:00:1.00	3.75
Equal to or less than 4:00:1.00 but greater than 3:50:1.00	3.50
Equal to or less than 3:50:1.00	3.25
Following an initial public offering	3.00

The margin on any loans under the Revolving Incremental Facilities will be agreed between the Parent and the relevant lenders.

If SOFR, EURIBOR or SONIA (as applicable) is less than zero, SOFR, EURIBOR or SONIA (as applicable) shall be deemed to be zero in respect of any loan under the New Revolving Credit Facility Agreement.

Commitment fees are payable on the aggregate undrawn and un-cancelled amount of the New Revolving Credit Facility for the relevant periods set out in the New Revolving Credit Facility Agreement at a rate of 30% of the applicable margin per annum. Generally, the commitment fee is payable quarterly in arrears, on the last day of availability of the New Revolving Credit Facility and if cancelled, on the cancelled amount of the relevant lender's commitment under the New Revolving Credit Facility at the time such cancelation is effective.

Default interest is calculated as an additional 1% per annum on any overdue amount. The Parent is also required to pay (or procure the payment of) customary agency fees in connection with the New Revolving Credit Facility.

Repayment

All outstanding amounts under the New Revolving Credit Facility are required to be repaid on the relevant maturity date referred to above.

Loans under the New Revolving Credit Facility must be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against new loans under the New Revolving Credit Facility to be drawn on such date.

The termination date in respect of any Revolving Incremental Facilities will be the date agreed between the Parent and the relevant lenders.

Prepayment

The New Revolving Credit Facility Agreement allows for voluntary prepayments (subject to a minimum amount and certain conditions).

The New Revolving Credit Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a change of control of the Parent or a sale of all or substantially all of the assets of the Group.

Guarantees

The New Revolving Credit Facility is guaranteed by the Guarantors and the Issuer.

The New Revolving Credit Facility Agreement includes a "Guarantor Coverage Threshold" (being, subject to certain exceptions, the requirement that the consolidated EBITDA of the Guarantors represents not less than 80% of the consolidated EBITDA of the members of the Restricted Group excluding any member of the Restricted Group that is not required to become a guarantor in accordance with the Agreed Security Principles). If the Guarantor Coverage Threshold is not met when tested by reference to delivery of the annual financial statements of the Parent for the relevant year, within 60 days, each Material Company (as defined herein) that is not already a guarantor (together with such other members of the Restricted Group within Security Jurisdictions (as defined herein) as necessary) shall become guarantors under the New Revolving Credit Facility Agreement in order to meet the Guarantor Coverage Threshold at that time. "Material Company" is generally defined under the New Revolving Credit Facility Agreement to include, among other things, any member of the Restricted Group that is incorporated or established in a Security Jurisdiction or the Portuguese Entities (as defined herein) and that has earnings from ordinary activities before interest, tax, depreciation amortization and exceptional items representing more than 5% of consolidated EBITDA of the Restricted Group. "Portuguese Entities" are defined in the New Revolving Credit Facility Agreement as AGHL Portugal Investments Holdings, S.A. and Whitestar Asset Solutions, S.A., and "Security Jurisdiction" is defined in the Agreed Security Principles as being England and Wales, Guernsey, Jersey, the Netherlands and Luxembourg. The Agreed Security Principles provide, among other things, that no member of the Restricted Group incorporated or established outside of a Security Jurisdiction shall be required to provide any guarantee or security (unless such member is a borrower of the New Revolving Credit Facility) and no member of the Restricted Group shall be required to provide any security in respect of any shares or other ownership interests held in any member of the Restricted Group incorporated or established outside of a Security Jurisdiction or any member of the Restricted Group which is not an obligor under the New Revolving Credit Facility Agreement, and that the Portuguese Entities shall only be required to provide guarantees (not security).

Security

The New Revolving Credit Facility Agreement is secured by the same security interests granted as security for the Exchange Notes. See "*Description of the New Notes—Security*."

Representations and Warranties

The New Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including (but not limited to) status, binding obligations, non-conflict with other obligations, power and authority, authorizations, no default, governing law and enforcement, sanctions and anti-corruption laws.

Covenants

The New Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments) that are included in the section entitled "*Description of the New Notes—Certain covenants.*" In addition, the New Revolving Credit Facility Agreement contains a financial covenant (see "*—Financial Covenant*").

The New Revolving Credit Facility Agreement also contains a "notes purchase condition" covenant. Subject to certain exceptions set out in the New Revolving Credit Facility Agreement, the Parent may not, and shall procure that no other member of the Restricted Group will, repay, prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of the Exchange Notes (but excluding any amount outstanding under any "finance document" entered into in respect of the New Revolving Credit Facility Agreement) prior to its scheduled repayment date in any manner which involves the payment of cash consideration by a member of the Restricted Group to a person which is not a member of the Restricted Group. The exceptions to such covenant include, *inter alia*, generally, payments that do not exceed 50% of the aggregate original principal amount of the Exchange Notes in existence as of the date of their issuance or incurred at any time after their issuance.

The New Revolving Credit Facility Agreement also requires certain members of the Restricted Group to observe certain affirmative covenants, including covenants relating to maintenance of Guarantor Coverage Threshold on an annual basis (see "*—Guarantees*" above) and further assurance with respect to security interests granted.

Certain of the covenants under the New Revolving Credit Facility Agreement will be suspended, including upon the long-term corporate credit rating of the Parent (or any holding company of the Parent) being equal to or better than Baa3 or BBB-, according to Moody's Investor Services, Inc. and Standard & Poor's Investors Ratings Services, respectively.

The New Revolving Credit Facility Agreement also contains an "information covenant" under which, among other things, the Parent is required to deliver to Global Loan Agency Services Limited (acting as facility agent pursuant to the New Revolving Credit Facility Agreement) annual financial statements, quarterly financial statements and compliance certificates.

Financial Covenant

The New Revolving Credit Facility Agreement requires that the consolidated leverage ratio in respect of each period of twelve months ending on any quarter date (the "**Consolidated Leverage Ratio**") shall not be greater than 7:00:1.00 provided that this financial covenant is only to be tested if on the last day of such period, the amount of loans drawn under the New Revolving Credit Facility is greater than 40% of the total New Revolving Credit Facility commitments.

The Parent is permitted (subject to certain conditions) to prevent or cure breaches of the Consolidated Leverage Ratio covenant by applying a "cure" amount received after the Issue Date (generally, amounts received by the Parent in cash pursuant to any new equity or permitted subordinated debt) as if consolidated EBITDA had been increased by such amount or consolidated leverage had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the New Revolving Credit Facility. No more than four different cure amounts may be taken into account prior to the maturity date of the New Revolving Credit Facility Agreement and cure amounts in consecutive financial quarters are not permitted.

Events of Default

The New Revolving Credit Facility Agreement contains a limited number of events of default (misrepresentation, unlawfulness, failure to comply with the financial covenant (subject to cure)), subject in certain cases to agreed grace periods and other qualifications. Additionally, the New Revolving Credit Facility Agreement mirrors the events of default applicable to the Exchange Notes.

Governing law

The New Revolving Credit Facility Agreement is governed by English law (with certain covenants, information undertakings and events of default being interpreted in accordance with New York law).

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Parent, the Issuer and certain other members of the Group which have acceded or otherwise become a party to the Intercreditor Agreement as a debtor (together the "**Debtors**") are parties to the Intercreditor Agreement between, among others, Global Loan Agency Services Limited as Revolving Agent and Sherwood Parentco Limited as the parent as amended and/or restated from time to time (including as amended and restated on or around the Settlement Date. The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of certain debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

Capitalized terms set forth and used in this summary of the Intercreditor Agreement may have different meanings from that given to such terms and used elsewhere in this Exchange Offer Memorandum. Capitalized terms used in this summary of the Intercreditor Agreement but not otherwise defined herein or this Exchange Offer Memorandum shall have the meanings given to them in the Intercreditor Agreement.

Definitions

The following capitalized terms used in this summary of the Intercreditor Agreement have the meaning given to them below:

"**Agent**" means each of any Revolving Agent, Senior Agent, Permitted Second Lien Creditor Representative, Senior Parent Agent and the Security Agent, as the context requires.

"**Arrangers**" means any Revolving Arranger, any Permitted Senior Financing Arranger, any arranger of the credit facilities under any Permitted Second Lien Financing Agreement and any Permitted Parent Financing Arranger.

"**Creditors**" means the Super Senior Secured Creditors, the Senior Secured Creditors, the Permitted Second Lien Financing Creditors, the Senior Parent Creditors, the Hedge Counterparties, the Intra-Group Lenders and the Investors.

"**Debtor**" means any person that is a party to the Intercreditor Agreement as a Debtor.

"**Group**" means the Parent and its Restricted Subsidiaries (or, in each case, the IPO Pushdown Entity and its Restricted Subsidiaries from the Pushdown Date).

"**Hedge Counterparty**" means any person that executes or accedes to the Intercreditor Agreement as a Hedge Counterparty.

"**Hedging Liabilities**" means the liabilities owed by any Debtor to Hedge Counterparties in respect of certain hedging agreements but excluding certain excluded swap obligations.

"**Insolvency Event**" means, generally, certain events of insolvency in relation to any company that is a member of the Group.

"**Intra-Group Lender**" means each Original Debtor and any other Debtor which becomes a party to the Intercreditor Agreement as an Intra-Group Lender.

"**Investor**" means any person that is a party to the Intercreditor Agreement as an Investor.

"**Majority Permitted Parent Financing Creditors**" means, in relation to any Permitted Parent Financing Debt, the requisite number or percentage of Permitted Parent Financing Creditors under the Permitted Parent Financing Agreement on whose instructions the Senior Parent Creditor Representative is required to act in relation to the relevant matter.

"**Majority Permitted Second Lien Financing Creditors**" means, in relation to any Permitted Second Lien Financing Debt, the requisite number or percentage of Permitted Second Lien Financing Creditors under the Permitted Second Lien Financing Agreement on whose instructions the Permitted Second Lien Creditor Representative is required to act in relation to the relevant matter.

"**Majority Permitted Senior Financing Creditors**" means, in relation to any Permitted Senior Financing Debt, the requisite number or percentage of Permitted Senior Financing Creditors under the Permitted Senior Financing Agreement on whose instructions the Permitted Senior Creditor Representative is required to act in relation to the relevant matter.

"**Majority Revolving Lenders**" has the meaning given to the term "**Majority Lenders**" under the Revolving Facility Agreement (being, subject to certain provisions of the Revolving Facility Agreement, a Revolving Lender or Revolving Lenders whose commitments under the Revolving Facility Agreement aggregate 50.1 per cent. or more of the total commitments under the Revolving Facility Agreement (or if the total commitments under the Revolving Facility Agreement have been reduced to zero, aggregated 50.1 per cent. or more of the total commitments under the Revolving Facility Agreement immediately prior to that reduction)).

"**Material Event of Default**" means, generally, certain events of default relating to insolvency proceedings, failure to pay judgement debt and invalidity, ineffectiveness or unlawfulness of security, under each of the Revolving Facility Agreement (prior to the Super Senior Discharge Date), the Senior Notes (prior to the Senior Notes Discharge Date) and any Permitted Senior Financing Agreement (prior to the Permitted Senior Financing Discharge Date).

"**Operating Facility**" means any facility or financial accommodation (including, without limitation, any overdraft or other current account facility, any foreign exchange facility, any guarantee, bonding, documentary or standby letter of credit facility, any credit card or automated payments facility, any short term loan facility and any derivatives facility) provided to a member of the Group by an Operating Facility Lender which is notified to the Security Agent by the Parent in writing as a facility or financial accommodation to be treated as an "*Operating Facility*" for the purposes of the Intercreditor Agreement.

"**Operating Facility Document**" means, at the election of the Parent, any document relating to or evidencing an Operating Facility.

"**Operating Facility Lender**" means any person that executes or accedes to the Intercreditor Agreement as an Operating Facility Lender.

"**Operating Facility Liabilities**" means the liabilities owed by any Debtor to the Operating Facility Lenders under or in connection with the Operating Facility Documents.

"**Permitted Parent Financing Agreement**" means, in relation to any Permitted Parent Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Parent Financing Debt is made available or, as the case may be, issued.

"**Permitted Parent Financing Creditors**" means, in relation to any Permitted Parent Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Parent Financing Debt from time to time (including the applicable Senior Parent Creditor Representative).

"**Permitted Parent Financing Debt**" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as "*Permitted Parent Financing Debt*" for the purposes of the Intercreditor Agreement; provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Parent Financing

Debt have agreed to become a party to the Intercreditor Agreement, in each case unless already a party in that capacity.

"**Permitted Parent Financing Documents**" means, in relation to any Permitted Parent Financing Debt, the Permitted Parent Financing Agreement, any fee letter entered into under or in connection with the Permitted Parent Financing Agreement and any other document or instrument relating to that Permitted Parent Financing Debt and designated as such by the Parent and the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt.

"**Permitted Parent Financing Liabilities**" means all liabilities of any Debtor to any Permitted Parent Financing Creditors under or in connection with the Permitted Parent Financing Documents.

"**Permitted Second Lien Creditor Representative**" means, in relation to any Permitted Second Lien Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Second Lien Financing Debt (including, if applicable, any Permitted Second Lien Notes Trustee).

"**Permitted Second Lien Financing Agreement**" means, in relation to any Permitted Second Lien Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Second Lien Financing Debt is made available or, as the case may be, issued.

"**Permitted Second Lien Financing Creditors**" means, in relation to any Permitted Second Lien Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Second Lien Financing Debt from time to time (including the applicable Permitted Second Lien Creditor Representative).

"**Permitted Second Lien Financing Debt**" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as "**Permitted Second Lien Financing Debt**" for the purposes of the Intercreditor Agreement; provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents and (b) the providers of such indebtedness or the agent, trustee or other relevant representative have agreed to become a party to the Intercreditor Agreement.

"**Permitted Second Lien Financing Discharge Date**" means the first date on which all Permitted Second Lien Financing Liabilities have been fully and finally discharged (if applicable, including by way of defeasance permitted in accordance with the Permitted Second Lien Financing Documents), whether or not as a result of an enforcement, and the Permitted Second Lien Financing Creditors are under no further obligation to provide any financial accommodation to any of the Debtors under the Permitted Second Lien Financing Documents.

"**Permitted Second Lien Financing Documents**" means, in relation to any Permitted Second Lien Financing Debt, the Permitted Second Lien Financing Agreement, any fee letter entered into under or in connection with the Permitted Second Lien Financing Agreement and any other document or instrument relating to that Permitted Second Lien Financing Debt and designated as such by the Parent and the Permitted Second Lien Creditor Representative in respect of that Permitted Second Lien Financing Debt.

"**Permitted Second Lien Financing Liabilities**" means the liabilities of the Debtors to the Permitted Second Lien Financing Creditors under or in connection with the Permitted Second Lien Financing Documents (excluding amounts owing to any Permitted Second Lien Notes Trustee).

"**Permitted Second Lien Notes Trustee**" means any entity acting as trustee under an indenture in respect of Permitted Second Lien Financing Debt constituted by the issue of notes (to the extent it has acceded to the Intercreditor Agreement in such capacity).

"**Permitted Senior Creditor Representative**" means, in relation to any Permitted Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt.

"**Permitted Senior Financing Agreement**" means, in relation to any Permitted Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Senior Financing Debt is made available or, as the case may be, issued.

"**Permitted Senior Financing Creditors**" means, in relation to any Permitted Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Senior Financing Debt from time to time (including the applicable Permitted Senior Creditor Representative).

"**Permitted Senior Financing Debt**" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as "*Permitted Senior Financing Debt*" for the purposes of the Intercreditor Agreement; provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt have agreed to become a party to the Intercreditor Agreement in each case to the extent not already a party in that capacity.

"**Permitted Senior Financing Discharge Date**" means the first date on which all Permitted Senior Financing Liabilities have been fully and finally discharged (if applicable, including by way of defeasance permitted in accordance with the Permitted Senior Financing Documents), whether or not as a result of an enforcement, and the Permitted Senior Financing Creditors are under no further obligation to provide any financial accommodation to any of the Debtors under the Permitted Senior Financing Documents.

"**Permitted Senior Financing Documents**" means, in relation to any Permitted Senior Financing Debt, the Permitted Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Senior Financing Agreement and any other document or instrument relating to that Permitted Senior Financing Debt and designated as such by the Parent and the Permitted Senior Creditor Representative in respect of that Permitted Senior Financing Debt.

"**Permitted Senior Financing Liabilities**" means all liabilities of any Debtor to any Permitted Senior Financing Creditors under or in connection with the Permitted Senior Financing Documents.

"**Primary Creditors**" means the Super Senior Secured Creditors, the Senior Secured Creditors, the Permitted Second Lien Financing Creditors and the Senior Parent Creditors.

"**Primary Discharge Date**" means the later to occur of the Super Senior Discharge Date, the Senior Discharge Date and the Permitted Second Lien Financing Discharge Date.

"**Primary Liabilities**" means the Super Senior Liabilities, the Senior Liabilities and the Permitted Second Lien Financing Liabilities.

"**Primary Secured Parties**" means the Super Senior Secured Creditors, the Senior Secured Creditors and the Permitted Second Lien Financing Creditors.

"**Revolving Agent**" means the agent under the Revolving Facility Agreement.

"**Revolving Arranger**" means any arranger of the credit facilities under the Revolving Facility Agreement.

"**Revolving Event of Default**" means an event of default (howsoever described) under any Revolving Finance Documents.

"**Revolving Facility Agreement**" means the New Revolving Credit Facility Agreement.

"**Revolving Finance Documents**" means, generally, the finance documents in relation to the Revolving Facility Agreement.

"**Revolving Lenders**" means, generally, the lenders under the Revolving Facility Agreement together with each issuing bank and ancillary lender under the Revolving Finance Documents.

"**Revolving Liabilities**" means the liabilities of the Debtors owed to the Revolving Lenders under the Revolving Finance Documents.

"**Secured Creditors**" means the Super Senior Secured Creditors, the Senior Secured Creditors and the Permitted Second Lien Financing Creditors.

"**Secured Debt Documents**" means the Revolving Finance Documents, the Operating Facility Documents, the Hedging Agreements, the Senior Debt Documents, the Permitted Second Lien Financing Documents, the Senior Parent Notes Finance Documents and/or the Permitted Parent Financing Documents, as the context requires.

"**Secured Party**" means, to the extent legally possible and subject to the Agreed Security Principles, each of the Security Agent, any receiver or delegate and each Agent, the Arrangers, the Operating Facility Lenders, the Secured Creditors and the Senior Parent Creditors from time to time but, to the extent required by the Intercreditor Agreement, only if it is a party to the Intercreditor Agreement or has acceded to it, in the appropriate capacity, pursuant to its terms.

"**Senior Acceleration Event**" means an acceleration event in relation to any Senior Notes or any Permitted Senior Financing Debt, as the context requires.

"**Senior Agent**" means any Senior Notes Trustee and/or any Permitted Senior Creditor Representative, as the context requires.

"**Senior Debt**" means any outstanding indebtedness incurred by any member of the Group under the Senior Debt Documents.

"**Senior Debt Documents**" means the Senior Notes Finance Documents and/or the Permitted Senior Financing Documents.

"**Senior Discharge Date**" means the first date on which each of the Senior Notes Discharge Date and the Permitted Senior Financing Discharge Date has occurred.

"**Senior Event of Default**" means an event of default (howsoever described) under any Senior Debt Document.

"**Senior Liabilities**" means the Senior Notes liabilities and the Permitted Senior Financing Liabilities.

"**Senior Liabilities Transfer**" means a transfer of the Senior Liabilities to all or any of the Permitted Second Lien Financing Creditors described under the caption "*—Option to Purchase: Permitted Second Lien Financing Creditors*" or a transfer of the Senior Liabilities to all or any of the Senior Parent Creditors described under the caption "*—Option to Purchase: Senior Parent Creditors*."

"**Senior Noteholders**" means the registered holders from time to time of the Senior Notes.

"**Senior Notes**" means the Existing Notes, the Exchange Notes, the New Money Notes and/or any high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Parent in writing as indebtedness to be treated as "*Senior Notes*" for the purposes of the Intercreditor Agreement.

"**Senior Notes Creditors**" means the Senior Noteholders and each Senior Notes Trustee.

"**Senior Notes Discharge Date**" means the first date on which all the Senior Notes liabilities have been fully and finally discharged, including by way of defeasance permitted in accordance with the Senior Notes Finance Documents, whether or not as the result of an enforcement.

"**Senior Notes Finance Documents**" means, generally, the Senior Notes, each indenture for the Senior Notes, guarantees of the Senior Notes, the Intercreditor Agreement, the relevant security documents securing the liabilities in respect of the Senior Notes and any other document entered into in connection with the Senior Notes and designated as such by the Parent and the applicable Senior Notes Trustee.

"**Senior Notes Indenture**" means any indenture pursuant to which any Senior Notes are issued.

"**Senior Notes Trustee**" means any entity acting as trustee under any issue of Senior Notes (to the extent it has acceded to the Intercreditor Agreement in such capacity).

"**Senior Parent Creditor Representative**" means, in relation to any Permitted Parent Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt.

"**Senior Parent Creditors**" means the Senior Parent Notes Creditors and any Permitted Parent Financing Creditors.

"**Senior Parent Debt Issuer**" means, generally, in relation to any Senior Parent Notes or Permitted Parent Financing Debt, the member of the Group which is the issuer or, as the case may be, the borrower of those

Senior Parent Notes or that Permitted Parent Financing Debt; provided that no member of the Group which is (a) an issuer or, as the case may be, a borrower of any outstanding indebtedness under the Revolving Facility Agreement, outstanding Senior Notes, outstanding Permitted Senior Financing Debt or outstanding Permitted Second Lien Financing Debt, or (b) a subsidiary of a member of the Group falling within the foregoing paragraph (a) (other than a subsidiary which is a certain financing vehicle), respectively, may be a Senior Parent Debt Issuer.

"**Senior Parent Event of Default**" means an Event of Default under any Senior Parent Notes Indenture and/or any Permitted Parent Financing Agreement, as the context requires.

"**Senior Parent Finance Parties**" means any Senior Parent Notes Trustee (on behalf of itself and the Senior Parent Noteholders that it represents), any Senior Parent Noteholder, the Security Agent and the Permitted Parent Financing Creditors.

"**Senior Parent Liabilities**" means the Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities.

"**Senior Parent Noteholders**" means the registered holders from time to time of the applicable Senior Parent Notes, as determined in accordance with the terms of the relevant Senior Parent Notes Indenture(s).

"**Senior Parent Notes**" means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Parent in writing as indebtedness to be treated as "*Senior Parent Notes*" for the purposes of the Intercreditor Agreement.

"**Senior Parent Notes Creditors**" means, on and from the first Senior Parent Notes issue date, the Senior Parent Noteholders and each Senior Parent Notes Trustee.

"**Senior Parent Notes Finance Documents**" means, generally, the Senior Parent Notes, each indenture for the Senior Parent Notes, guarantees of the Senior Parent Notes, the Intercreditor Agreement, the relevant security documents securing the liabilities in respect of the Senior Parent Notes and any other document entered into in connection with the Senior Parent Notes and designated as such by the Parent and the applicable Senior Parent Notes Trustee.

"**Senior Parent Notes Indenture**" means each indenture pursuant to which any Senior Parent Notes are issued.

"**Senior Parent Notes Liabilities**" means, generally, the liabilities owed by any Debtor to the Senior Parent Notes Creditors and the Security Agent under the finance documents for the Senior Parent Notes (excluding, generally, certain amounts owed to the relevant Senior Parent Notes Trustee in respect of each issuance of Senior Parent Notes).

"**Senior Parent Notes Trustee**" means any entity acting as trustee under any issue of Senior Parent Notes (to the extent it has acceded to the Intercreditor Agreement in such capacity).

"**Senior Secured Creditors**" means the Senior Notes Creditors and the Permitted Senior Financing Creditors.

"**Shareholder Contribution**" means (a) any subscription for shares issued by, and any capital contributions to, the Parent provided that any such shares or capital contributions are not redeemable at the option of their holder whilst any amount remains outstanding under the Revolving Facility Agreement, in each case unless permitted by the Revolving Facility Agreement; and/or (b) any loans, notes, bonds or like instruments issued by, or made to, the Parent which are subordinated to the facility under the Revolving Facility Agreement pursuant to the Intercreditor Agreement (with no right to prepayment or acceleration or cash return payable whilst any amount remains outstanding under the Revolving Facility Agreement, in each case unless permitted by the Intercreditor Agreement) or are otherwise subordinated to the Revolving Facility Agreement on terms satisfactory to the Revolving Agent, acting reasonably.

"**Subordinated Debt**" means, generally, indebtedness which is expressly subordinated in right of payment to utilizations under the Revolving Facility Agreement and guarantees pursuant to a written agreement.

"**Super Senior Discharge Date**" means the first date on which the Super Senior Liabilities have been fully and finally discharged, whether or not as a result of enforcement, and the Revolving Lenders and the Hedge

Counterparties are under no further obligation to provide financial accommodation to any of the Debtors under any of the Revolving Finance Documents or the relevant hedging agreements (as applicable).

"**Super Senior Liabilities**" means the Revolving Liabilities and the Hedging Liabilities.

"**Super Senior Secured Creditors**" means the Revolving Lenders and the Hedge Counterparties.

Debt Refinancing

The Intercreditor Agreement permits any of the liabilities under the debt documents to be refinanced, replaced, increased or otherwise restructured in whole or in part including by way of Permitted Senior Financing Debt, Permitted Second Lien Financing Debt and/or Permitted Parent Financing Debt or the issue of additional Senior Notes and/or Senior Parent Notes and the introduction of a "*super senior*" credit facility (the "**Priority Facility**") or the establishment of new or additional Operating Facilities (each a "**Debt Refinancing**"). Each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Secured Debt Documents and/or take such other action as is required by the Parent in order to facilitate such a Debt Refinancing including changes to, the taking of, or release and retake of, any guarantee or security, subject to certain conditions. At the option of the Parent, a Debt Refinancing may be made available on a basis which is senior to, *pari passu* with or junior to any of the other liabilities, shall be entitled to benefit from all or any of the security, may be made available on a secured or unsecured basis (subject to certain restrictions) and may be effected in whole or in part by way of a debt exchange, non-cash rollover or other similar or equivalent transaction, in each case unless otherwise prohibited by the Debt Financing Agreements. Under the terms of the Intercreditor Agreement, each Agent, each Secured Party and each Primary Creditor agrees that it shall co-operate with the Parent, each other member of the Group and each Agent in order to facilitate any Debt Refinancing (including by way of, at the request and cost of the Parent, executing any document or agreement and/or giving instructions to any person). In the event of any refinancing or replacement of all or any part of the facility under the Revolving Facility Agreement or the Senior Liabilities (or any such refinancing or replacement indebtedness from time to time), the Parent shall be entitled to require that the definition of Instructing Group is amended such that the relevant refinancing or replacement indebtedness is treated in the same manner as the facilities under the Revolving Facility Agreement and Senior Liabilities (meaning that for the purpose of calculating the voting entitlement of any person, at the option of the Parent all or any part of the relevant refinancing or replacement indebtedness may be treated as Super Senior Credit Participations or Senior Credit Participations, each as defined under the caption "*—Instructing Group*"). In the event that any Priority Facility becomes subject to the provisions of the Intercreditor Agreement, the Parent shall be entitled to require that all or any part of the Hedging Liabilities and/or the Operating Facility Liabilities shall rank in right and priority of payment *pari passu* with that Priority Facility (which, for the avoidance of doubt, may result in such Hedging Liabilities and/or Operating Facility Liabilities ranking ahead of the Senior Notes liabilities, the Permitted Senior Financing Liabilities, the Senior Parent Notes Liabilities and/or the Permitted Parent Financing Liabilities), in each case unless otherwise prohibited by the Debt Financing Agreements.

Any Priority Facility implemented pursuant to a Debt Refinancing shall comply with, among others, the following limitations:

Ranking

No liabilities or obligations in respect of any Priority Facility may rank in right and priority of payment ahead of the Super Senior Liabilities (other than as regards amounts of the type set out in paragraphs (i) and (ii) under the caption "*—Application of Proceeds—Order of Application*").

Subject to the paragraph above and to the extent not otherwise prohibited by the Debt Financing Agreements, any Priority Facility shall rank in right and priority of payment as determined by the Parent.

Enforcement

The right of the lenders or other creditors in respect of a Priority Facility to:

(a) instruct the Security Agent to enforce the security;

(b) give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the security as they see fit; and/or

(c) otherwise provide instructions as, or as part of, an Instructing Group, shall be generally consistent with, or otherwise not materially less favorable to the other Secured Parties than, those customary for facilities of a similar nature to that Priority Facility (if any), in each case as at the date such Priority Facility is contractually committed by the relevant member(s) of the Group and as determined by the Parent (with any such determination to be conclusive).

Option to Purchase

(a) The Senior Notes Creditors and the Permitted Senior Financing Creditors shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Facility consistent in all material respects with the 'option to purchase' right provided in relation to the Super Senior Liabilities and the Senior Liabilities as set out under the captions "*—Restrictions relating to Super Senior Liabilities and Senior Liabilities*" and "*—Option to Purchase: Senior Notes Creditors and Permitted Senior Financing Creditors*."

(b) The Senior Parent Agent(s) shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Facility consistent in all material respects with the 'option to purchase' right as set out under caption "*—Restrictions relating to Senior Parent Creditors and Senior Parent Liabilities—Option to Purchase: Senior Parent Creditors*."

Ranking and Priority

Priority of Debts

Subject to the provisions set out in the caption "*—Senior Parent Liabilities and Security*," the Intercreditor Agreement provides that the liabilities owed by the Debtors (other than any Senior Parent Debt Issuer to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- first, the Super Senior Liabilities, the Senior Liabilities, the Permitted Second Lien Financing Liabilities, the Operating Facility Liabilities, amounts due to a Revolving Arranger, Permitted Senior Financing Arranger, Senior Agent, Permitted Second Lien Creditor Representative, Senior Notes Trustee, the Permitted Second Lien Notes Trustee and amounts due the Senior Parent Notes Trustee *pari passu* and without any preference amongst them; and

- second, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference amongst them.

The liabilities owed by a Senior Parent Debt Issuer (to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank *pari passu* in right and priority of payment without any preference among them.

Priority of Security

The Intercreditor Agreement provides that the security shall secure the liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

- first, the Super Senior Liabilities, the Senior Liabilities, the Operating Facility Liabilities, amounts due to a Revolving Arranger, Permitted Senior Financing Arranger, Senior Agent Liabilities, Senior Notes Trustee, Permitted Second Lien Creditor Representative, the Permitted Second Lien Notes Trustee and Senior Parent Notes Trustee *pari passu* and without any preference amongst them;

- second, the Permitted Second Lien Financing Liabilities and amounts due to the Permitted Second Lien Financing Arrangers *pari passu* and without any preference amongst them; and

- third, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* between themselves and without any preference amongst them.

Senior Parent Liabilities and Security

The Senior Parent Liabilities and the Permitted Parent Financing Liabilities owed by a Senior Parent Debt Issuer (to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) are senior obligations of that Senior Parent Debt Issuer. Notwithstanding the preceding sentence, until the Primary Discharge Date, creditors in relation to the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities may not take any steps to appropriate the assets of a Senior Parent Debt Issuer subject to the security documents in connection with any Enforcement Action (as defined below), other than as expressly permitted by the Intercreditor Agreement.

Intra-Group Liabilities and Investor Liabilities

The Intercreditor Agreement provides that the liabilities owed by the Debtors to the Intra-Group Lenders and the liabilities owed by the Parent to the Investors are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors and Operating Facility Lenders.

Additional and/or Refinancing Debt

The creditors under the Intercreditor Agreement and the Operating Facility Lenders acknowledge in the Intercreditor Agreement that the Debtors (or any of them) may wish to incur incremental borrowing liabilities (including guarantees of such liabilities) or refinance or replace borrowing liabilities (including incurring guarantee liabilities in respect of such refinancing or replacement) which are intended to rank *pari passu* with any other liabilities and/or share *pari passu* in any security and/or to rank behind any other liabilities and/or to share in any security behind any such other liabilities.

The creditors under the Intercreditor Agreement and the Operating Facility Lenders undertake in the Intercreditor Agreement (at the cost of the Debtors) to co-operate with the Parent and the Debtors with a view to enabling and facilitating such financing, refinancing or replacement and such sharing in the security (provided it is not prohibited by the terms of the Debt Financing Agreements at such time) to take place in a timely manner. In particular, each of the Secured Parties authorizes and directs each of its respective agents and the Security Agent to execute any amendment to the Intercreditor Agreement and such other debt documents required by the Parent to reflect, enable and/or facilitate any such arrangements (including as regards the ranking of any such arrangements).

Restrictions relating to Super Senior Liabilities and Senior Liabilities

The Parent and the Debtors may make payments of the Super Senior Liabilities and Senior Liabilities at any time. The Intercreditor Agreement provides that the Super Senior Secured Creditors, the Senior Secured Creditors, the Operating Facility Lenders, the Parent and the Debtors may at any time amend or waive the terms of the Revolving Finance Documents, the Senior Debt Documents and the Operating Facility Documents in accordance with their respective terms from time to time (and subject only to any consent required under them).

Security and Guarantees: Super Senior Secured Creditors and Senior Secured Creditors

The Super Senior Secured Creditors, the Senior Secured Creditors and the Operating Facility Lenders may take, accept or receive the benefit of:

(i) any security from any member of the Group in respect of any of the Super Senior Liabilities, Senior Liabilities and the Operating Facility Liabilities in addition to the shared security provided that, to the extent legally possible and subject to certain Agreed Security Principles:

(A) the security provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(B) all amounts actually received or recovered by any Super Senior Secured Creditor, Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "—*Application of Proceeds*"; and

(C) any such security may only be enforced in accordance with the provisions set out under the caption "—*Enforcement of Security—Security Held by Other Creditors*."

(ii) any guarantee, indemnity or other assurance against loss from any member of the Group regarding any of the Super Senior Liabilities, the Senior Liabilities or Operating Facility Liabilities in addition to those in:

(A) the Revolving Finance Documents, the Senior Debt Documents or any Operating Facility Document;

(B) the Intercreditor Agreement; or

(C) any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain Agreed Security Principles, given to all the Super Senior Secured Creditors, the Senior Secured Creditors and the Permitted Second Lien Financing Creditors in respect of their respective liabilities;

provided that, to the extent legally possible, and subject to certain Agreed Security Principles,

- the guarantee provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity); and
- such guarantee, indemnity or assurance against loss is expressed to be subject to the Intercreditor Agreement; and

(iii) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

(A) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(B) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Super Senior Liabilities, Senior Liabilities and/or Operating Facility Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

Restriction on Enforcement: Super Senior Secured Creditors, Senior Secured Creditors and Operating Facility Lenders

The Intercreditor Agreement provides that none of the Super Senior Secured Creditors, Senior Secured Creditors or the Operating Facility Lenders may take certain Enforcement Action without the prior written consent of an Instructing Group (as defined below).

Notwithstanding the above restriction or anything to the contrary in the Intercreditor Agreement, after the occurrence of certain specified insolvency events (an "**Insolvency Event**") in relation to the Parent or a Debtor, each Super Senior Secured Creditor, Senior Secured Creditor or Operating Facility Lender may, to the extent it is able to do so under the relevant debt documents, take certain Enforcement Action and/or claim in the winding up, dissolution, administration, reorganization or similar insolvency event of the Parent or that Debtor (as applicable) for liabilities owing to it (but a Super Senior Secured Creditor, Senior Creditor or an Operating Facility Lender may not direct the Security Agent to enforce the common security in any manner).

Option to Purchase: Senior Notes Creditors and Permitted Senior Financing Creditors

Senior Notes Creditors holding at least a simple majority of the Senior Notes Liabilities or Permitted Senior Financing Creditors holding at least a simple majority of the Permitted Senior Financing Liabilities (the "**Senior Secured Acquiring Creditors**") may, after the occurrence of an acceleration event which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to them (or to a nominee or nominees), in accordance with the applicable transfer provisions of the Intercreditor Agreement, of all, but not part, of the rights, benefits and obligations in respect of the Revolving Liabilities and the Operating Facility Liabilities if:

(a) that transfer is lawful and, subject to paragraph (b) below, otherwise permitted by the terms of the Revolving Facility Agreement and the Operating Facility Documents;

(b) any conditions relating to such a transfer contained in the Revolving Facility Agreement and the Operating Facility Documents are complied with, other than:

   (i) any requirement to obtain the consent of, or consult with, a member of the Group in relation to such transfer, which consent or consultation shall not be required; and

   (ii) to the extent to which all the Senior Secured Acquiring Creditors provide cash cover for any letter of credit, the consent of the relevant letter of credit issuing bank relating to such transfer;

(c) the Revolving Agent, on behalf of the Revolving Lenders, is paid an amount equal to the aggregate of:

   (i) any amounts provided as cash cover by the Senior Secured Acquiring Creditors for any letter of credit (as envisaged in paragraph (b)(ii) above);

   (ii) all of the Super Senior Liabilities at that time (whether or not due), including all amounts that would have been payable under the Revolving Facility Agreement if the facility under the Revolving Facility Agreement were being prepaid by the relevant Debtors on the date of that payment; and

   (iii) all costs and expenses (including legal fees) incurred by the Revolving Agent and/or the Revolving Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(d) the Operating Facility Lenders are paid an amount equal to the aggregate of:

   (i) all of the Operating Facility Liabilities at that time (whether or not due), including all amounts that would have been payable under the Operating Facility Documents if the Operating Facilities were being prepaid by the relevant Debtors on the date of that payment; and

   (ii) all costs and expenses (including legal fees) incurred by the Operating Facility Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(e) as a result of that transfer, the Revolving Lenders and the Operating Facility Lenders have no further actual or contingent liability to a Debtor under the Revolving Finance Documents and the Operating Facility Documents (as applicable);

(f) an indemnity is provided from each of the Senior Secured Acquiring Creditors (other than any Senior Agent) or from another third-party acceptable to all the Revolving Lenders and the Operating Facility Lenders in a form reasonably satisfactory to each Revolving Lender and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Revolving Lender or Operating Facility Lender in consequence of any sum received or recovered by any Revolving Lender or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Revolving Lender or Operating Facility Lender for any reason;

(g) the transfer is made without recourse to, or representation or warranty from, the Revolving Lenders or the Operating Facility Lenders, except that each Revolving Lender and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer; and

(h) the Senior Parent Creditors have not exercised their rights to purchase as described under the provisions set out in the caption "—*Option to Purchase: Senior Parent Creditors*" or, having exercised such rights, have not failed to complete the acquisition of the relevant Super Senior Liabilities and the Operating Facility Liabilities in accordance with such provisions.

Subject to the Intercreditor Agreement, the Senior Secured Acquiring Creditors may only require a transfer of the Revolving Liabilities and the Operating Facility Liabilities if, at the same time, they require a transfer of Hedging Liabilities in accordance with the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of the Revolving Liabilities and the Operating Facility Liabilities may be required to be made.

At the request of a Senior Agent (on behalf of the Senior Secured Acquiring Creditors), the Revolving Agent and the Operating Facility Lenders shall notify that Senior Agent of the foregoing payable sums in connection with such transfer.

Instructing Group

The term "**Instructing Group**" means at any time:

(a) prior to the Senior Discharge Date:

(i) in relation to any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action:

(A) those Senior Secured Creditors whose Senior Credit Participations at that time aggregate to more than $66^{2/3}$% of the Total Senior Credit Participations at that time; and/or

(B) prior to the Super Senior Discharge Date, the Majority Super Senior Creditors,

in each case as applicable in accordance with the provisions set out under the caption "—*Consultation Period*"; or

(ii) in relation to any other matter:

(A) those Senior Secured Creditors whose Senior Credit Participations at that time aggregate to more than $66^{2/3}$% of the Total Senior Credit Participations at that time; and

(B) prior to the Super Senior Discharge Date, the Majority Super Senior Creditors; and

(b) on or after the Senior Discharge Date and Super Senior Discharge Date but before the Permitted Second Lien Financing Discharge Date, and subject always to the provisions set out under the caption "—*Restrictions on Enforcement by Permitted Second Lien Financing Creditors*," those Permitted Second Lien Financing Creditors whose Second Lien Credit Participations at that time aggregate to more than $66^{2/3}$% of the Total Second Lien Credit Participations at that time; and

(c) on or after the Primary Discharge Date but before the date of discharge of the Senior Parent Liabilities, and subject always to the provisions set out under the caption "—*Restrictions on Enforcement by Senior Parent Creditors*," the Majority Senior Parent Creditors.

In the foregoing definition of "*Instructing Group*":

"**Majority Senior Parent Creditors**" means, at any time, those Senior Parent Creditors whose Senior Parent Credit Participations at that time aggregate to more than $66^{2/3}$% of the total aggregate amount of all Senior Parent Credit Participations at that time;

"**Majority Super Senior Creditors**" means, at any time, those Super Senior Secured Creditors whose Super Senior Credit Participations at that time aggregate more than $66^{2/3}$% of the Total Super Senior Credit Participations at that time.

"**Second Lien Credit Participation**" means, in relation to a Permitted Second Lien Financing Creditor, the aggregate amount of its commitments under each Permitted Second Lien Financing Agreement (drawn or undrawn) and/or the principal amount of outstanding Permitted Second Lien Financing Debt held by that Permitted Second Lien Financing Creditor (as applicable and without double counting);

"**Senior Credit Participation**" means:

(a) in relation to a Senior Notes Creditor, the principal amount of outstanding Senior Notes liabilities held by that Senior Notes Creditor; and

(b) in relation to a Permitted Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Senior Financing Agreement (drawn or undrawn) and/or the principal amount of outstanding Permitted Senior Financing Debt held by that Permitted Senior Financing Creditor (as applicable and without double counting);

"**Senior Parent Credit Participation**" means:

(a) in relation to a Senior Parent Notes Creditor, the principal amount of outstanding Senior Parent Notes Liabilities held by that Senior Parent Notes Creditor; and

(b) in relation to a Permitted Parent Financing Creditor, the aggregate amount of its commitments under each Permitted Parent Financing Agreement (drawn or undrawn and calculated in a manner consistent with the commitments under any Permitted Senior Financing Agreement) and/or the principal amount of outstanding Permitted Parent Financing Debt held by that Permitted Parent Financing Creditor (as applicable and without double counting);

"**Super Senior Credit Participations**" means, in relation to a Super Senior Secured Creditor, the aggregate of:

(a) its aggregate commitments under the Revolving Facility Agreement (whether drawn or undrawn) (if any); and

(b) in respect of any hedging transaction of that Super Senior Secured Creditor under any hedging agreement that has, as of the date the calculation is made, been terminated or closed out in accordance with the terms of the Intercreditor Agreement, the amount, if any, payable to it under any hedging agreement in respect of that termination or close-out as of the date of termination or close-out (and before taking into account any interest accrued on that amount since the date of termination or close-out) to the extent that amount is unpaid (that amount to be certified by the relevant Super Senior Secured Creditor and as calculated in accordance with the relevant hedging agreement); and

(c) in respect of any hedging transaction of that Super Senior Secured Creditor under any hedging agreement that has, as of the date the calculation is made, not been terminated or closed out:

  (i) if the relevant hedging agreement is based on an ISDA Master Agreement the amount, if any, which would be payable to it under that hedging agreement in respect of that hedging transaction, if the date on which the calculation is made was deemed to be an Early Termination Date (as defined in the relevant ISDA Master Agreement) for which the relevant Debtor is the Defaulting Party (as defined in the relevant ISDA Master Agreement); or

  (ii) if the relevant hedging agreement is not based on an ISDA Master Agreement, the amount, if any, which would be payable to it under that hedging agreement in respect of that hedging transaction, if the date on which the calculation is made was deemed to be the date on which an event similar in meaning and effect (under that hedging agreement) to an Early Termination Date (as defined in any ISDA Master Agreement) occurred under that hedging agreement for which the relevant Debtor is in a position similar in meaning and effect (under that hedging agreement) to that of a Defaulting Party (under and as defined in the same ISDA Master Agreement),

that amount, in each case, to be certified by the relevant Super Senior Secured Creditor and as calculated in accordance with the relevant hedging agreement;

"**Total Second Lien Credit Participations**" means the aggregate of all the Second Lien Credit Participations at any time.

"**Total Senior Credit Participations**" means the aggregate of all the Senior Credit Participations at any time.

"**Total Super Senior Credit Participations**" means the aggregate of all the Super Senior Credit Participations at any time.

Restrictions relating to Second Lien Creditors and Permitted Second Lien Financing Liabilities

The Intercreditor Agreement provides that, prior to the later of the Super Senior Discharge Date and the Senior Discharge Date, the Debtors shall not, and the Parent shall procure that no other member of the Group will, make any payment of the Permitted Second Lien Financing Liabilities at any time unless that payment is permitted by the provisions set out below under the captions "—*Permitted Second Lien Payments*," "—*Permitted Second Lien Enforcement*," "—*Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Permitted Second Lien Financing Liabilities as permitted by the Intercreditor Agreement.

Permitted Second Lien Payments

Prior to the later of the Super Senior Discharge Date and the Senior Discharge Date, any member of the Group may make payments with respect to the Permitted Second Lien Financing Liabilities (such payments, collectively, "**Permitted Second Lien Payments**"):

(a) if:

(i) the payment is of:

(A) any of the principal amount of the Permitted Second Lien Financing Liabilities which is either (1) not prohibited from being paid by the Revolving Finance Documents or the Senior Debt Documents or (2) paid on or after the final maturity date of the relevant Permitted Second Lien Financing Liabilities (subject to certain conditions); or

(B) any other amount which is not an amount of principal or capitalized interest;

(ii) no Second Lien Payment Stop Notice (as defined below) is outstanding; and

(iii) no payment default under the Revolving Finance Documents (other than in respect of non-payment of any amount not constituting principal or interest or not exceeding £250,000 (or its equivalent)) has occurred and is continuing (the "**Super Senior Payment Default**");

(iv) no payment default under the Senior Debt Documents (other than in respect of non-payment of any amount not constituting principal or interest or not exceeding £250,000 (or its equivalent)) has occurred and is continuing (the "**Senior Payment Default**"); or

(b) if (X) the Majority Revolving Lenders (the "**Required Super Senior Consent**") and (Y) a Senior Notes Trustee and the Majority Permitted Senior Financing Creditors or the Permitted Senior Creditor Representative in respect of that Permitted Senior Financing Debt (as applicable) (the "**Required Senior Consent**") give prior consent to that payment being made;

(c) if the payment is of certain amounts due to the Permitted Second Lien Creditor Representative for its own account;

(d) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(e) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Permitted Second Lien Financing Documents (including in relation to any reporting or listing requirements under such documents);

(f) if the payment is funded directly or indirectly with the proceeds of any indebtedness incurred under the Permitted Second Lien Financing Documents and/or Senior Parent Notes;

(g) if the payment is funded directly or indirectly with the proceeds of a Shareholder Contribution or Subordinated Debt; or

(h) any other amount not exceeding £5,000,000 in aggregate in any financial year of the Parent.

On or after the later of the Super Senior Discharge Date and the Senior Discharge Date, the Debtors may make payments in respect of the Permitted Second Lien Financing Liabilities at any time.

Second Lien Payment Blockage Provisions

Until the later of the Super Senior Discharge Date (except with the Required Super Senior Consent) and the Senior Discharge Date (except with the Required Senior Consent), no Debtor shall make (and the Parent shall procure that no other member of the Group will make), and no Permitted Second Lien Financing Creditor may receive from any other members of the Group, any Permitted Second Lien Payment (other than roll-up or capitalization of any amount or certain amounts due to the Permitted Second Lien Creditor Representative for its own account and subject to certain other exceptions) if:

(a) a Super Senior Payment Default or a Senior Payment Default is continuing; or

(b) a Material Event of Default is continuing, from the date which is one business day after the date on which any Revolving Agent or Senior Agent delivers a payment stop notice (a "**Second Lien Payment Stop Notice**") specifying the event or circumstance in relation to that Material Event of Default to the Parent, the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:

- the date falling 120 days after delivery of that Second Lien Payment Stop Notice;
- in relation to payments of the Permitted Second Lien Financing Liabilities, if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that standstill period expires;
- the date on which the relevant Material Event of Default has been remedied or waived in accordance with the applicable Revolving Finance Documents or Senior Debt Documents, as applicable;
- the date on which the Revolving Agent or Senior Agent, as applicable, has delivered the relevant Second Lien Payment Stop Notice delivers a notice to the Parent, the Security Agent and the Permitted Second Lien Creditor Representative cancelling the Second Lien Payment Stop Notice;
- the Super Senior Discharge Date and the Senior Discharge Date have occurred; and
- the date on which the Security Agent or a Permitted Second Lien Creditor Representative takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the Permitted Second Lien Creditor Representative waives this requirement, (i) a new Second Lien Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and (ii) no Second Lien Payment Stop Notice may be delivered by a Senior Agent in reliance on a Material Event of Default more than 75 days after the date that Senior Agent received notice of that Material Event of Default.

The Revolving Agent and the Senior Agents may only serve one Second Lien Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Agents to issue a Second Lien Payment Stop Notice in respect of any other event or set of circumstances.

No Second Lien Payment Stop Notice may be served in respect of a Material Event of Default which had been notified to the Agents at the time at which an earlier Second Lien Payment Stop Notice was issued.

Any failure to make a payment due under any Permitted Second Lien Financing Document as a result of the issue of a Second Lien Payment Stop Notice or the occurrence of a Super Senior Payment Default or a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in any Permitted Second Lien Financing Document) as a consequence of that failure to make a payment in relation to the relevant Permitted Second Lien Financing Document; (ii) the issue of a Second Lien Enforcement Notice (as defined below) on behalf of the Permitted Second Lien Financing Creditors; (iii) any debt-for-equity transaction in respect of Permitted Second Lien Financing Liabilities; (iv) payment of advisory or professional fees in respect of restructuring advice and/or valuations in respect of the Debtors provided to the Permitted Second Lien Financing Creditors not exceeding in aggregate £1,500,000; or (v) payment to the Permitted Second Lien Financing Creditors of fees in respect of amendments to, and consents or waivers of, the Permitted Second Lien Financing Documents in amounts not exceeding those paid to the Super Senior Secured Creditors and the Senior Secured Creditors in respect of amendments to, and consents or waivers of, the Revolving Finance Documents and the Senior Debt Documents, as applicable.

Payment Obligations and Capitalization of Interest Continue

No Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Permitted Second Lien Financing Document by the operation of the provisions set out under each section above under the caption "—*Restrictions relating to Permitted Second Lien Financing Creditors and Permitted Second Lien Financing Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Permitted Second Lien Financing Documents shall continue notwithstanding the issue of a Second Lien Payment Stop Notice.

Cure of Second Lien Payment Stop

If:

(a) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Super Senior Payment Default or a Senior Payment Default, that Second Lien Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Super Senior Payment Default or Senior Payment Default ceases to be continuing; and

(b) any Debtor then promptly pays to the Permitted Second Lien Financing Creditors an amount equal to any payments which had accrued under the Permitted Second Lien Financing Documents and which would have been Permitted Second Lien Payments but for that Second Lien Payment Stop Notice, a Super Senior Payment Default or Senior Payment Default,

then any event or circumstance specified to be an "Event of Default" in any of the Debt Financing Agreements (an "**Event of Default**") (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived, and any Second Lien Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Permitted Second Lien Financing Creditors or any other creditor or Operating Facility Lender.

Restrictions on Enforcement by Permitted Second Lien Financing Creditors

Until the Super Senior Discharge Date and the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group:

(a) no Permitted Second Lien Financing Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of any security; and

(b) no Permitted Second Lien Financing Creditor shall take or require the taking of any Enforcement Action in relation to the Permitted Second Lien Financing Liabilities,

except as permitted under the provisions set out below under the caption "—*Permitted Second Lien Enforcement*."

Option to Purchase: Permitted Second Lien Financing Creditors

Subject to the following paragraphs, any of the Permitted Second Lien Financing Creditors or Permitted Second Lien Creditor Representatives (on behalf of the relevant Permitted Second Lien Financing Creditors) may, after an acceleration event under the Revolving Facility Agreement (a "**Revolving Acceleration Event**"), a Senior Acceleration Event, the issue of a Second Lien Payment Stop Notice that is continuing or during a Second Lien Standstill Period that is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to such Permitted Second Lien Financing Creditors of all, but not part, of the rights, benefits and obligations in respect of the Revolving Liabilities or the Senior Liabilities if:

(a) that transfer is lawful and, subject to paragraph (b) below, otherwise permitted by the terms of the Revolving Finance Documents and the Senior Debt Documents pursuant to which any relevant Revolving Liabilities or Senior Liabilities (as the case may be) remain outstanding;

(b) any conditions relating to such a transfer contained in the Revolving Finance Documents and the Senior Debt Documents pursuant to which any Revolving Liabilities or Senior Liabilities (as the case may be) remain outstanding are complied with other than as specified in the Intercreditor Agreement;

(c) the Revolving Agent on behalf of the finance parties in relation to the Revolving Facility Agreement is paid the amounts required under the Intercreditor Agreement;

(d) the relevant Senior Agents on behalf of the Senior Secured Creditors are paid the amounts required under the Intercreditor Agreement;

(e) as a result of that transfer the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable) have no further actual or contingent liability to the Parent or any other Debtor under the relevant debt documents;

(f) an indemnity is provided from each Permitted Second Lien Financing Creditor (other than any Permitted Second Lien Creditor Representative) (or from another third party acceptable to all the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable)) in a form reasonably satisfactory to each Super Senior Secured Creditor or each Senior Secured Creditor (as applicable) in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Super Senior Secured Creditor or any Senior Secured Creditor (as applicable) in consequence of any sum received or recovered by any Super Senior Secured Creditor or any Senior Secured Creditor (as applicable) from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Super Senior Secured Creditor or any Senior Secured Creditor (as applicable) for any reason; and

(g) the transfer is made without recourse to, or representation or warranty from, the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable), except that each Super Senior Secured Creditor or each Senior Secured Creditor (as applicable) shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

At the request of a Permitted Second Lien Creditor Representative (on behalf of all the Permitted Second Lien Financing Creditors), the relevant Revolving Agent and/or Senior Agent shall notify the Permitted Second Lien Creditor Representatives of the foregoing payable sums in connection with such transfer.

Subject to the Intercreditor Agreement, any of the Permitted Second Lien Financing Creditors or a Permitted Second Lien Creditor Representative (on behalf of all the Permitted Second Lien Financing Creditors) may, by giving not less than 10 days' notice to the Security Agent, require a transfer of the hedging liabilities regulated by the Intercreditor Agreement if, at the same time, they require a transfer of the Super Senior Liabilities or all the Permitted Second Lien Financing Creditors (acting as a whole) require a transfer of the relevant hedging liabilities at any time on or after the Super Senior Discharge Date or a Permitted Second Lien Financing Acceleration Event has occurred and is continuing or a Second Lien Standstill Period has commenced and is continuing or a Second Lien Payment Stop Notice has been issued and is continuing.

Enforcement Action

The term "**Enforcement Action**" comprises:

(a) in relation to any liabilities:

- the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Secured Creditor or a Senior Parent Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the debt documents);
- the making of any declaration that any liabilities are payable on demand;
- the making of a demand in relation to a liability that is payable on demand;
- the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;

- the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Revolving Facility Agreement (or any other similar or equivalent provision of any of the Secured Debt Documents) and/or any other acquisition of liabilities, acquisition or transaction which any member of the Group is not prohibited from entering into by the terms of the Secured Debt Documents and excluding any mandatory offer arising as a result of a change of control or asset sale (howsoever described) as set out in the Senior Notes Finance Documents or the Senior Parent Notes Finance Documents (or any other similar or equivalent provision of any of the Secured Debt Documents);

- the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:

  (i) as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;

  (ii) as payment netting by a Hedge Counterparty or by a hedging ancillary lender;

  (iii) as inter-hedging agreement netting by a Hedge Counterparty;

  (iv) as inter-hedging ancillary document netting by a hedging ancillary lender; and/or

  (v) which is otherwise permitted by the terms of any of the Secured Debt Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and

  (vi) the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any liabilities;

(b) the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(c) the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the security),

(d) the entry into any composition, compromise, assignment or similar arrangement with any member of the Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement not otherwise prohibited by the debt documents); or

(e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, examiner, administrator or similar officer) in relation to the winding up, dissolution, examinership, administration or reorganization of any member of the Group which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- the taking of any action falling above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or

- a Secured Creditor or Senior Parent Creditor bringing legal proceedings against any person solely for the purpose of: (a) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (b) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (c) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages; or

- bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud; or

- to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation; or

- any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Group (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party.

Permitted Second Lien Enforcement

The restrictions set out in the caption "*—Restrictions on Enforcement by Permitted Second Lien Financing Creditors*" above will not apply if:

(a) a Permitted Second Lien Financing Event of Default (the "**Relevant Second Lien Default**") is continuing;

(b) the Revolving Agent and each Senior Agent has received a notice of the Relevant Second Lien Default specifying the event or circumstance in relation to the Relevant Second Lien Default from the relevant Permitted Second Lien Creditor Representative;

(c) a Second Lien Standstill Period (as defined below) has elapsed; and

(d) the Relevant Second Lien Default is continuing at the end of the relevant Second Lien Standstill Period.

Promptly upon becoming aware of a Permitted Second Lien Financing Event of Default, the relevant Permitted Second Lien Creditor Representative may by notice (a "**Second Lien Enforcement Notice**") in writing notify the Revolving Agent and the Senior Agents of the existence of such Permitted Second Lien Financing Event of Default.

Second Lien Standstill Period

In relation to a Relevant Second Lien Default, a Second Lien Standstill Period shall mean the period beginning on the date (the "**Second Lien Standstill Start Date**") the relevant Permitted Second Lien Creditor Representative serves a Second Lien Enforcement Notice on each of the Revolving Agent and the Senior Agents in respect of such Relevant Second Lien Default and ending on the earlier to occur of:

(a) the date falling 120 days after the Second Lien Standstill Start Date;

(b) the date the Primary Secured Parties (other than the Permitted Second Lien Financing Creditors) take any Enforcement Action in relation to a particular borrower or issuer of the relevant Permitted Second Lien Financing Liabilities (a "**Second Lien Borrower/Issuer**") or any guarantor of the relevant Permitted Second Lien Financing Liabilities (a "**Senior Parent Guarantor**"); provided, however, that if a Second Lien Standstill Period ends pursuant to this paragraph, the Permitted Second Lien Financing Creditors may only take the same Enforcement Action in relation to the relevant Second Lien Borrower/Issuer or Second Lien Guarantor as the Enforcement Action taken by the Primary Secured Parties (other than the Permitted Second Lien Financing Creditors) against such Second Lien Borrower/Issuer or Second Lien Guarantor and not against any other member of the Group;

(c) the date of an Insolvency Event in relation to the relevant Second Lien Borrower/Issuer or a particular Second Lien Guarantor against whom Enforcement Action is to be taken;

(d) the expiry of any other Second Lien Standstill Period outstanding at the date such first mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(e) the date on which the consent of each of the Revolving Agent (acting pursuant to a Required Super Senior Consent) and the Senior Agent (acting pursuant to a Required Senior Consent) has been obtained; and

(f) a failure to pay the principal amount outstanding under any Permitted Second Lien Financing Document at the final stated maturity of the amounts outstanding under that Permitted Second Lien Financing Document (provided that unless the Super Senior Discharge Date and the Senior Discharge Date has occurred or as otherwise agreed pursuant to a Required Super Senior Consent, a Required Senior Consent and the Parent, the final stated maturity does not fall on a date prior to the date falling 85 months after the date of first utilization of the Senior Debt,

(the "**Second Lien Standstill Period**").

Subsequent Second Lien Default

The Permitted Second Lien Financing Creditors may take Enforcement Action under the provisions set out in caption "—*Permitted Second Lien Enforcement*" above in relation to a Relevant Second Lien Default even if, at the end of any relevant Second Lien Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Permitted Second Lien Financing Event of Default.

Enforcement on Behalf of Permitted Second Lien Financing Creditors

If the Security Agent has notified the Permitted Second Lien Creditor Representatives that it is enforcing security created pursuant to any security document over shares of a Second Lien Borrower/Issuer or a Second Lien Guarantor, no Permitted Second Lien Financing Creditor may take any action referred to under the provisions set out under the caption "—*Permitted Second Lien Enforcement*" above against that Second Lien Borrower/Issuer or that Second Lien Guarantor (or any subsidiary of them) while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Restrictions relating to Senior Parent Creditors and Senior Parent Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the Primary Discharge Date, the Senior Parent Debt Issuer shall not (and the Parent shall ensure that no member of the Group will):

(a) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Parent Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Parent Liabilities except as permitted by the provisions set out below under the captions "—*Permitted Senior Parent Payments*," "—*Permitted Senior Parent Enforcement*," and the fourth paragraph under the caption "—*Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Senior Parent Liabilities as permitted by the Intercreditor Agreement;

(b) exercise any set-off against any Senior Parent Liabilities, except as permitted by the provisions set out in the caption "—*Permitted Senior Parent Payments*," the provisions set out in the caption "—*Restrictions on Enforcement by Senior Parent Creditors*" or the fourth paragraph under the caption "—*Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Senior Parent Liabilities as permitted by the Intercreditor Agreement; or

(c) create or permit to subsist any security over any assets of any member of the Group or give any guarantee (and the Senior Parent Notes Trustee or Senior Parent Creditor Representative, as the case may be, may not, and no Senior Parent Creditor may, accept the benefit of any such security or guarantee from any member of the Group) for, or in respect of, any Senior Parent Liabilities other than:

    (i) guarantees by a member of the Group of any obligations of a member of the Group under the Senior Parent Notes Finance Documents and/or the Permitted Parent Financing Documents;

    (ii) at the option of the Parent, all or any of the security (provided that, for the avoidance of doubt, each of the parties agrees that the security shall rank and secure any Senior Parent Liabilities as set out in "—*Ranking and Priority-Priority of Security*");

(iii) any security over any assets of any Senior Parent Debt Issuer (other than, without prejudice to paragraph (ii) above, any such assets over which a Senior Parent Debt Issuer has granted security);

(iv) any other security or guarantee provided by a member of the Group (the "**Credit Support Provider**") provided that, to the extent legally possible:

(A) the Credit Support Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(B) all amounts actually received or recovered by the Senior Parent Notes Trustee, the Senior Parent Creditor Representative or the Senior Parent Creditors, as the case may be, with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "—*Application of Proceeds*";

(C) any such security may only be enforced in accordance with the provisions set out under the caption "—*Enforcement of Security—Security Held by Other Creditors*"; and

(D) such guarantee is expressed to be subject to the Intercreditor Agreement; and

(v) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

(A) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(B) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Super Senior Liabilities, Senior Liabilities, Operating Facility Liabilities, Senior Notes liabilities and any Permitted Senior Financing Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

Permitted Senior Parent Payments

Prior to the Primary Discharge Date, any member of the Group may make payments with respect to the Senior Parent Liabilities (such payments, collectively, "**Permitted Senior Parent Payments**"):

(a) if:

(i) the payment is of:

(A) any of the principal amount of the Senior Parent Liabilities which is either (1) not prohibited from being paid by the Revolving Finance Documents or the Senior Debt Documents or (2) paid on or after the final maturity date of the relevant Senior Parent Liabilities (subject to certain conditions); or

(B) any other amount which is not an amount of principal or capitalized interest;

(ii) no Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice (as defined below) is outstanding; and

(iii) no Super Senior Payment Default has occurred and is continuing;

(iv) no Senior Payment Default has occurred and is continuing;

(v) no payment default under the Permitted Second Lien Financing Documents has occurred and is continuing (the "**Second Lien Payment Default**"); or

(b) if (A) the Required Super Senior Consent and the Required Senior Consent have been obtained and (B) the Majority Permitted Second Lien Financing Creditors or the Permitted Second Lien Creditor

Representative in respect of that Permitted Second Lien Financing Debt (as applicable) (the "**Required Second Lien Consent**") give prior consent to that payment being made;

(c) if the payment is of certain amounts due to the Senior Parent Notes Trustee for its own account;

(d) if the payment is made by the relevant Senior Parent Debt Issuer and funded directly or indirectly with amounts which have not been received by that Senior Parent Debt Issuer from another member of the Group;

(e) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(f) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Senior Parent Finance Documents and any Permitted Parent Financing Documents (including in relation to any reporting or listing requirements under such documents);

(g) if the payment is funded directly or indirectly with Permitted Parent Financing Debt and/or the proceeds of any indebtedness under any Senior Parent Notes;

(h) if the payment is funded directly or indirectly with the proceeds of a Shareholder Contribution or Subordinated Debt; or

(i) or any other amount not exceeding £5,000,000 in aggregate in any financial year of the Parent.

On or after the Primary Discharge Date, the Debtors may make payments in respect of the Senior Parent Liabilities at any time.

Senior Parent Payment Blockage Provisions

Until the Super Senior Discharge Date (except with the Required Super Senior Consent), the Senior Discharge Date (except with the Required Senior Consent) and the Permitted Second Lien Financing Discharge Date (except with the Required Second Lien Consent), no Senior Parent Debt Issuer shall make (and the Parent shall procure that no other member of the Group will make), and neither the Senior Parent Notes Trustee, any holder of Senior Parent Notes, the Security Agent or the Permitted Parent Financing Creditors may receive from any other members of the Group, any Permitted Senior Parent Payment (other than roll-up or capitalization of any amount or certain amounts due to the Senior Parent Notes Trustee for its own account and subject to certain other exceptions) if:

(a) a Super Senior Payment Default, a Senior Payment Default and/or a Second Lien Payment Default is continuing; or

(b) a Revolving Event of Default (other than a Super Senior Payment Default), a Senior Event of Default (other than a Senior Payment Default) or a Permitted Second Lien Financing Event of Default (other than a Second Lien Payment Default) is continuing, from the date which is one business day after the date on which the Revolving Agent, any Senior Agent and/or any Permitted Second Lien Creditor Representative delivers a payment stop notice (a "**Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice**") specifying the event or circumstance in relation to that Revolving Event of Default, Senior Event of Default or Permitted Second Lien Financing Event of Default to the Parent, the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:

- the date falling 179 days after delivery of that Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice;
- in relation to payments of the Senior Parent Liabilities, if a Senior Parent Standstill Period is in effect at any time after delivery of that Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice, the date on which that standstill period expires;
- the date on which the relevant Revolving Event of Default, Senior Event of Default and/or Permitted Second Lien Financing Event of Default has been remedied or waived in accordance with the applicable Revolving Facility Agreement, Senior Debt Document or Permitted Second Lien Financing Document;

- the date on which the Revolving Agent, Senior Agent or Permitted Second Lien Creditor Representative which delivered the relevant Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice delivers a notice to the Parent, the Security Agent and the other Agents cancelling the Senior Parent Payment Stop Notice;

- the Primary Discharge Date; and

- the date on which the Security Agent, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Parent Notes Trustee and any Senior Parent Creditor Representative waive this requirement, (i) a new Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Super Senior/ Senior/Second Lien/Senior Parent Payment Stop Notice; and (ii) no Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice may be delivered by the Revolving Agent, a Senior Agent or a Permitted Second Lien Creditor Representative in reliance on a Revolving Event of Default, a Senior Event of Default or a Permitted Second Lien Financing Event of Default more than 45 days after the date that Revolving Agent, Senior Agent or Permitted Second Lien Creditor Representative received notice of that Revolving Event of Default, Senior Event of Default or Permitted Second Lien Financing Event of Default.

The Revolving Agent, the Senior Agents and the Permitted Second Lien Creditor Representatives may only serve one Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Revolving Agent, the Senior Agents and/or the Permitted Second Lien Creditor Representatives to issue a Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice in respect of any other event or set of circumstances.

No Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice may be served in respect of a Revolving Event of Default, Senior Event of Default or Permitted Second Lien Financing Event of Default which had been notified to the Agents at the time at which an earlier Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice was issued.

Any failure to make a payment due under any Senior Parent Finance Documents and any Permitted Parent Financing Documents as a result of the issue of a Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice or the occurrence of a Super Senior Payment Default, a Senior Payment Default or a Second Lien Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in any Senior Parent Indenture or any Permitted Parent Financing Agreement, as applicable) as a consequence of that failure to make a payment in relation to the relevant Senior Parent Notes Finance Document and any Permitted Parent Financing Documents; or (ii) the issue of a Senior Parent Enforcement Notice (as defined below) on behalf of the Senior Parent Creditors.

Payment Obligations and Capitalization of Interest Continue

Neither the relevant Senior Parent Debt Issuer nor any other Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Parent Finance Document and any Permitted Parent Financing Document by the operation of the provisions set out under each section above under the caption "*—Restrictions relating to Senior Parent Creditors and Senior Parent Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with any Senior Parent Finance Document and any Permitted Parent Financing Document shall continue notwithstanding the issue of a Super Senior/ Senior/Second Lien/Senior Parent Payment Stop Notice.

Cure of Payment Stop

If:

(a) at any time following the issue of a Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice or the occurrence of a Super Senior Payment Default or a Senior Payment Default, that Super

Senior/Senior/Second Lien/Senior Parent Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Super Senior Payment Default or Senior Payment Default ceases to be continuing; and

(b) the relevant Senior Parent Debt Issuer or the relevant Debtor then promptly pays to the Senior Parent Creditors an amount equal to any payments which had accrued under any Senior Parent Finance Document or any Permitted Parent Financing Document and which would have been Permitted Senior Parent Payments but for that Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice, a Super Senior Payment Default or Senior Payment Default, then any event or circumstance specified to be an "Event of Default" in any of the Debt Financing Agreements (an "**Event of Default**") (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived, and any Senior Parent Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Senior Parent Creditors or any other Creditor or Operating Facility Lender.

Restrictions on Amendments and Waivers

The Intercreditor Agreement provides that the Senior Parent Creditors, the Senior Parent Debt Issuer and the Debtors may amend or waive the terms of the Senior Parent Notes Finance Documents and/or the Permitted Parent Financing Documents in accordance with their terms at any time (and subject only to any consent required under them).

Restrictions on Enforcement by Senior Parent Creditors

Until the Primary Discharge Date, except with the prior consent of or as required by an Instructing Group:

(a) no Senior Parent Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of any security; and

(b) no Senior Parent Creditor shall take or require the taking of any Enforcement Action in relation to the guarantees by a member of the Group of any of the obligations of a Senior Parent Debt Issuer under the Senior Parent Notes Finance Documents and/or Permitted Parent Financing Documents,

except as permitted under the provisions set out below under the caption "*—Permitted Senior Parent Enforcement*" provided, however, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

Option to Purchase: Senior Parent Creditors

Subject to the following paragraphs, any of the Senior Parent Agents (on behalf of the Senior Parent Creditors) may, after a Revolving Acceleration Event, a Senior Acceleration Event or a Permitted Second Lien Financing Acceleration Event, by giving not less than 10 days' notice to the Security Agent, require the transfer to the Senior Parent Creditors of all, but not part, of the rights, benefits and obligations in respect of the Revolving Liabilities, the Senior Liabilities, the Permitted Second Lien Financing Liabilities and the Operating Facility Liabilities if:

(a) that transfer is lawful and, subject to paragraph (b) below, otherwise permitted by the terms of the Revolving Facility Agreement (in the case of the Revolving Liabilities), the relevant Senior Debt Documents (in the case of the Senior Liabilities), the relevant Permitted Second Lien Financing Documents (in the case of the Permitted Second Lien Financing Liabilities) and/or any Operating Facility Documents (in the case of the Operating Facility Liabilities) (as applicable);

(b) any conditions relating to such a transfer contained in the Revolving Facility Agreement (in the case of the Revolving Liabilities), the relevant Senior Debt Documents (in the case of the Senior Liabilities), the relevant Permitted Second Lien Financing Documents (in the case of the Permitted Second Lien Financing Liabilities) and/or any Operating Facility Documents (in the case of the Operating Facility Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(c) each of the Revolving Agent (on behalf of the Revolving Lenders), the relevant Senior Agent (on behalf of the relevant Senior Notes Creditors and the Permitted Senior Financing Creditors), is paid the amounts required under the Intercreditor Agreement;

(d) the Operating Facility Lenders are paid the amounts required under the Intercreditor Agreement;

(e) as a result of that transfer the Revolving Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors and the Operating Facility Lenders have no further actual or contingent liability to the Parent or any other Debtor under the relevant Secured Debt Documents;

(f) an indemnity is provided from each Senior Parent Creditor (other than any Senior Parent Agent) (or from another third party acceptable to the relevant creditors) in a form reasonably satisfactory to each Revolving Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor and Operating Facility Lender (as applicable) in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Revolving Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender in consequence of any sum received or recovered by any such party from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Revolving Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender for any reason; and

(g) the transfer is made without recourse to, or representation or warranty from, any Revolving Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender, except that each of them shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the Intercreditor Agreement, a Senior Parent Agent (on behalf of all the Senior Parent Creditors) may only require a Super Senior Liabilities Transfer and a Senior Liabilities Transfer if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Super Senior Liabilities Transfer or Senior Liabilities Transfer may be required to be made.

At the request of a Senior Parent Agent (on behalf of all the Senior Parent Creditors), the Revolving Agent, the relevant Senior Agent, the Permitted Second Lien Creditor Representative and the Operating Facility Lenders shall notify the Senior Parent Agents of the foregoing payable sums in connection with such transfer.

Permitted Senior Parent Enforcement

The restrictions set out in the caption "—*Restrictions on Enforcement by Senior Parent Creditors*" above will not apply if:

(a) a Senior Parent Event of Default (the "**Relevant Senior Parent Default**") is continuing;

(b) the Revolving Agent and each Senior Agent has received a notice of the Relevant Senior Parent Default specifying the event or circumstance in relation to the Relevant Senior Parent Default from the Senior Parent Notes Trustee or the Senior Parent Creditor Representative, as the case may be;

(c) a Senior Parent Standstill Period (as defined below) has elapsed; and

(d) the Relevant Senior Parent Default is continuing at the end of the relevant Senior Parent Standstill Period.

Promptly upon becoming aware of a Senior Parent Event of Default, the Senior Parent Notes Trustee or the Senior Parent Creditor Representative, as the case may be, may by notice (a "**Senior Parent Enforcement Notice**") in writing notify the Revolving Agent and each Senior Agent of the existence of such Senior Parent Event of Default.

Senior Parent Standstill Period

In relation to a Relevant Senior Parent Default, a Senior Parent Standstill Period shall mean the period beginning on the date (the "**Senior Parent Standstill Start Date**") the relevant Senior Parent Notes Trustee or the Senior Parent Creditor Representative, as the case may be, serves a Senior Parent Enforcement Notice on each of the Revolving Agent and the Senior Agents in respect of such Relevant Senior Parent Default and ending on the earlier to occur of:

(a) the date falling 179 days after the Senior Parent Standstill Start Date;

(b) the date the Primary Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Parent Notes and any Permitted Parent Financing Debt (a "**Senior Parent Guarantor**"); provided, however, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Senior Parent Finance Parties may only take the same Enforcement Action in relation to the Senior Parent Guarantor as the Enforcement Action taken by the Primary Secured Parties against such Senior Parent Guarantor and not against any other member of the Group;

(c) the date of an Insolvency Event in relation to the relevant Senior Parent Debt Issuer or a particular Senior Parent Guarantor against whom Enforcement Action is to be taken;

(d) the expiry of any other Senior Parent Standstill Period outstanding at the date such first mentioned Senior Parent Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(e) the date on which the consent of each of the Revolving Agent (acting pursuant to a Required Super Senior Consent), the Senior Agent (acting pursuant to a Required Senior Consent) and any Permitted Second Lien Creditor Representative (acting pursuant to a Required Second Lien Consent) has been obtained; and

(f) a failure to pay the principal amount outstanding under the Senior Parent Notes or on any Permitted Parent Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding under the Senior Parent Notes or on the Permitted Parent Financing Debt, as the case may be (provided that (i) unless the Super Senior Discharge Date has occurred or is otherwise agreed pursuant to a Required Super Senior Consent and agreed by the Parent, such final stated maturity does not fall on a date prior to the date falling 85 months after the date of first utilization under the Revolving Facility Agreement, (ii) unless the Senior Discharge Date has occurred or is otherwise agreed pursuant to a Required Senior Consent and agreed by the Parent, such final stated maturity does not fall on a date prior to the date falling 85 months after the after the date of first utilization of any indebtedness under the Senior Debt Documents, and (iii) unless the Permitted Second Lien Financing Discharge Date has occurred or is otherwise agreed pursuant to a Required Second Lien Consent and agreed by the Parent, such final stated maturity does not fall on a date prior to the date falling 97 months after the date of first utilization of any indebtedness under the Permitted Second Lien Financing Documents),

(the "**Senior Parent Standstill Period**").

Subsequent Senior Parent Notes Default

The Senior Parent Finance Parties may take Enforcement Action under the provisions set out in caption "*—Permitted Senior Parent Enforcement*" above in relation to a Relevant Senior Parent Default even if, at the end of any relevant Senior Parent Standstill Period or at any later time, a further Senior Parent Standstill Period has begun as a result of any other Senior Parent Event of Default.

Enforcement on Behalf of Senior Parent Creditors

If the Security Agent has notified each of the Senior Parent Notes Trustee and any Senior Parent Creditor Representative (collectively, the "**Senior Parent Agents**" and each, a "**Senior Parent Agent**") that it is enforcing security created pursuant to any security document over shares of a Senior Parent Guarantor, no Senior Parent Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Senior Parent Enforcement*" above against that Senior Parent Guarantor while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Effect of Insolvency Event; Filing of Claims

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any Debtor, or, following an acceleration event which is continuing, any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group in respect of liabilities owed to that party shall (in the case of any creditor or Operating Facility Lender, only to the extent that such distribution would otherwise constitute a receipt or recovery of a type subject to the provisions set out under the caption "*—Turnover by the Creditors*" and, in all cases, if prior to a distress event, only if required by the Security

Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption "—*Application of Proceeds*."

Subject to certain exceptions, to the extent that any member of the Group's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any creditor and any Operating Facility Lender which benefited from that set-off shall (in the case of any creditor or Operating Facility Lender, only to the extent that the relevant discharge constitutes a receipt or recovery of a type subject to the provisions set out under the caption "—*Turnover by the Creditors*" and, in all cases, if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent, pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*" and subject to certain exceptions.

Subject to the provisions set out under the caption "—*Application of Proceeds*," if the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any Debtor or, following an acceleration event which is continuing, any member of the Group, each creditor and each Operating Facility Lender irrevocably authorizes the Security Agent, on its behalf, to:

(a) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;

(b) demand, sue, prove and give receipt for any or all of that member of the Group's liabilities;

(c) collect and receive all distributions on, or on account of, any or all of that member of the Group's liabilities; and

(d) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of the Group's liabilities.

Each creditor and Operating Facility Lender will (i) do all things that the Security Agent reasonably requests in order to give effect to the matters referred to in this "—*Effect of Insolvency Event; Filing of Claims*" section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this "—*Effect of Insolvency Event; Filing of Claims*" section or if the Security Agent requests that a creditor or an Operating Facility Lender take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require, although a Senior Notes Trustee, a Permitted Second Lien Notes Trustee and the Senior Parent Notes Trustee shall be under no obligation to grant such powers of attorney) to enable the Security Agent to take such action.

Turnover by the Creditors

Subject to certain exceptions, the Intercreditor Agreement provides that if at any time prior to the Final Discharge Date, any Creditor or Operating Facility Lender receives or recovers from any member of the Group:

(a) any payment or distribution of, or on account of or in relation to, (i) any of the liabilities which is prohibited by the terms of the Intercreditor Agreement, or (ii) following the occurrence of the relevant distress event which is continuing, any Super Senior Liabilities, Senior Liabilities, Hedging Liabilities or Operating Facility Liabilities;

(b) other than as referred to in the second paragraph under the caption "—*Effect of Insolvency Event; Filing of Claims*" any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(c) any amount:

(i) on account of, or in relation to, any of the liabilities after the occurrence of a distress event including as a result of any litigation or proceedings against a member of the Group other than after the occurrence of an Insolvency Event in respect of that member of the Group; or

(ii) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a distress event,

other than, in each case, (A) any amount received or recovered in accordance with the provisions set out below under the caption "—*Application of Proceeds*"; and (B) in the case of intra-Group liabilities, any amount received or recovered in accordance with the relevant provisions of the Intercreditor Agreement regulating the intra-Group lender and intra-Group liabilities (to the extent permitted to be received or recovered notwithstanding that an acceleration event is continuing);

(d) the proceeds of any enforcement of any security in accordance with the provisions set out below in the caption "—*Application of Proceeds*"; or

(e) subject to certain exceptions, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption "—*Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of the Group,

that Creditor or Operating Facility Lender will (in the case of any receipts and recoveries referred to in paragraph (e) above, if a distress event has not occurred, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement of Security

Enforcement Instructions

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) an Instructing Group; (ii) if required as set out under the third paragraph of this section, the Majority Second Lien Creditors; or (iii) if required as set out under the fourth paragraph of this section, the Majority Senior Parent Creditors.

Subject to the security having become enforceable in accordance with its terms (i) an Instructing Group; (ii) to the extent permitted to enforce or to require the enforcement of the security prior to the Super Senior Discharge Date and the Senior Discharge Date as described under the caption "—*Restrictions relating to Second Lien Creditors and Permitted Second Lien Financing Liabilities*" above, the Majority Second Lien Creditors or (iii) to the extent permitted to enforce or to require the enforcement of the security prior to the Primary Discharge Date as described under the caption "—*Restrictions relating to Senior Parent Creditors and Senior Parent Liabilities*" above, the Majority Senior Parent Creditors, may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the security as they see fit.

Prior to the Super Senior Discharge Date and the Senior Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Second Lien Creditors are then entitled to give to the Security Agent as described under the caption "—*Restrictions relating to Second Lien Creditors and Permitted Second Lien Financing Liabilities*" above.

Prior to the Primary Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Senior Parent Creditors are then entitled to give to the Security Agent as described under the caption "*—Restrictions relating to Senior Parent Creditors and Senior Parent Liabilities*" above.

Subject to certain provisions of the Intercreditor Agreement, no Secured Party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent.

Manner of Enforcement

If the security is being enforced as set forth above under the caption "*—Enforcement Instructions*," the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator, examiner or equivalent officer of any Debtor to be appointed by the Security Agent) as:

- an Instructing Group;
- prior to the Super Senior Discharge Date and the Senior Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph under the caption "*—Enforcement of Security*" above, given effect to instructions given by the Majority Second Lien Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Second Lien Creditors; or
- prior to the Primary Discharge Date, if (i) the Security Agent has, pursuant to the fourth paragraph under the caption "*—Enforcement of Security*" above, given effect to instructions given by the Majority Senior Parent Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Parent Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit (it being understood that, absent such instructions, the Security Agent may elect to take no action).

Exercise of Voting Rights

To the fullest extent permitted under applicable law, each Creditor (other than any Senior Notes Trustee, Permitted Second Lien Notes Trustee or Senior Parent Notes Trustee) and each Operating Facility Lender agrees with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other creditor or Operating Facility Lender under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that creditor or Operating Facility Lender.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Security Held by Other Creditors

If any security is held by a Creditor or Operating Facility Lender other than the Security Agent, then that Creditor or Operating Facility Lender may only enforce that security in accordance with instructions given by an Instructing Group pursuant to the terms of the Intercreditor Agreement (and for this purpose references to the Security Agent shall be construed as references to that creditor or Operating Facility Lender).

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the Primary Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Senior Parent Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

Consultation Period

(a) Subject to paragraph (d) below, before giving any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action, the creditor representative(s) of the creditors of the Group represented in the Instructing Group concerned (and, if applicable, any relevant Hedge Counterparties) shall consult with each other creditor representative of the Creditors of the Instructing Group, each other Hedge Counterparty, each Operating Facility Lender and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of not less than 10 business days (or, in the case of any consultation involving a Senior Notes Trustee, a Senior Parent Notes Trustee or a creditor representative in respect of any high-yield notes, debt securities or other similar instruments, 30 days) from the date on which details of the proposed instructions are received by such creditor representative(s), Hedge Counterparties, Operating Facility Lenders and the Security Agent (or such shorter period as each creditor representative, Hedge Counterparty, Operating Facility Lender and the Security Agent shall agree) (the "**Consultation Period**"), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or take any other Enforcement Action.

(b) Subject to paragraph (c) below, in the event conflicting instructions are received from any other Instructing Group, the Security Agent shall enforce the security, refrain or cease from enforcing the security or, as the case may be, take the relevant other Enforcement Action in accordance with the instructions given by an Instructing Group referred to in paragraph (a)(i)(A) of the definition of Instructing Group as set out above (in each case, provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the security documents) and the terms of all instructions given by any other Instructing Group shall be deemed revoked.

(c) Prior to the Super Senior Discharge Date, if:

    (i) the Super Senior Secured Creditors have not been fully repaid within six months of the end of the first Consultation Period;

    (ii) the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action within three months of the end of the first Consultation Period; or

    (iii) an Insolvency Event has occurred and the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action at that time,

then the Security Agent shall follow the instructions given by the Majority Super Senior Creditors (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents).

(d) Subject to paragraph (c) above, no Agent or Hedge Counterparty shall be obliged to consult in accordance with paragraph (a) above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the security or take any other Enforcement Action prior to the end of a Consultation Period (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the security documents) if:

    (i) the security has become enforceable as a result of an Insolvency Event; or

    (ii) the Instructing Group or any creditor representative of the creditors represented in the Instructing Group determines in good faith (and notifies each other creditor representative, the Hedge Counterparties and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the security would reasonably be expected to have a material adverse effect on:

(A) the Security Agent's ability to enforce any of the security; or

(B) the realization proceeds of any enforcement of the security, and,

where this paragraph (d) applies:

(1) any instructions shall be limited to those necessary to protect or preserve the interests of the Super Senior Secured Creditors or Senior Secured Creditors (as applicable) on behalf of which the relevant Instructing Group is acting in relation to the matters referred to in sub-paragraphs (A) and (B) above; and

(2) the Security Agent shall act in accordance with the instructions first received.

Proceeds of Disposals

Non-Distressed Disposals

The Security Agent is irrevocably authorized and instructed (at the request and cost of the relevant Debtor or the Parent) to promptly release (or procure that any other relevant person releases):

(a) any security (and/or any other claim relating to a debt document) over any asset which is the subject of:

(i) a disposal not prohibited by the terms of the Revolving Facility Agreement, any Senior Notes Indenture, any Permitted Senior Financing Agreement, any Permitted Second Lien Financing Agreement, any Senior Parent Notes Indenture and any Permitted Parent Financing Agreement (each a "**Debt Financing Agreement**") (including a disposal to a member of the Group, but without prejudice to any obligation of any member of the Group in a Debt Financing Agreement to provide replacement security); or

(ii) any other transaction not prohibited by the terms of any Debt Financing Agreement pursuant to which that asset will cease to be held or owned by a member of the Group;

(b) any security (and/or any other claim relating to a debt document) over any document or agreement in order for any member of the Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);

(c) any security (and/or any other claim relating to a debt document) over any asset of any member of the Group which has ceased to be a Debtor or will cease to be a Debtor simultaneously with such release; and

(d) any security (and/or any other claim relating to a debt document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor (including in connection with the resignation of that Debtor or the Debtor being designated as an Unrestricted Subsidiary), the Security Agent (on behalf of itself and the Secured Parties) shall (at the request and cost of the relevant Debtor or the Parent) promptly release (or procure the release of) that Debtor and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the security and the Secured Debt Documents.

When making any request for a release pursuant to this "—*Non-Distressed Disposals*" section, the Parent shall confirm in writing to the Security Agent that:

(a) in the case of any release requested pursuant to paragraph (a)(i) or (a)(ii) above, the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement; or

(b) in the case of any release requested pursuant to paragraph (d) above, the relevant release is in accordance with terms of the Debt Financing Agreements;

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor or the Parent but without the need for any further consent, sanction, authority or further confirmation from any creditor, Operating Facility Lender, other Secured Party or Debtor) promptly enter into such documentation and/or take such other action as the Parent (acting reasonably) shall require to give effect to any release or other matter described in the paragraph above.

If any member of the Group is required or permitted under the Revolving Finance Documents or the Senior Debt Documents to apply the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Super Senior Liabilities or Senior Liabilities (as applicable) then no such application of those proceeds shall require the consent of any other party or result in any breach of any Senior Parent Notes Finance Documents or Permitted Parent Financing Documents and any such application shall discharge in full any obligation to apply those proceeds in prepayment, redemption or any other discharge or reduction of any Senior Parent Liabilities. This paragraph is without prejudice to any right of any member of the Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Parent Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or any other Senior Debt Document.

The Security Agent is irrevocably authorized by each Secured Party to (and will on the request and at the cost of the Parent):

(i) release the security; and

(ii) release each investor, each Debtor and each other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents,

on the Final Discharge Date (or at any time following such date on the request of the Parent).

Distressed Disposals

Generally, a "**Distressed Disposal**" is a disposal of an asset of a member of the Group which is (a) being effected at the request of an Instructing Group in circumstances where a security interest has become enforceable in accordance with the terms of the relevant security document(s), (b) being effected by enforcement of a security interest in accordance with the terms of the relevant security document(s) or (c) being disposed of to a third-party subsequent to a distress event.

If a Distressed Disposal of any asset of a member of the Group is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor, Operating Facility Lender, other Secured Party or Debtor):

(a) to release the security interest or any other claim over that asset and execute and deliver or enter into any release of that security interest or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(b) if the asset which is disposed of consists of shares in the capital of a Debtor, to release:

(i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;

(ii) any security interest granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

(iii) any other claim of an investor, an intra-Group lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors, Operating Facility Lenders, Debtors and certain creditor representatives;

(c) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:

(i) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;

(ii) any security interest granted by that holding company or any subsidiary of that holding company over any of its assets; and

(iii) any other claim of any investor, any intra-Group lender or another Debtor over that holding company's assets or the assets of any subsidiary of that holding company,

on behalf of the relevant creditors, Operating Facility Lenders, Debtors and certain creditor representatives;

(d) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities or the Debtor liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(i) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities or Debtor liabilities (the "**Transferee**") will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtor liabilities; provided that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(ii) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of:

(A) all (and not part only) of the liabilities owed to the Primary Creditors and the Operating Facility Lenders; and

(B) all or part of any other liabilities and the Debtor liabilities,

on behalf of, in each case, the relevant creditors, Operating Facility Lenders and Debtors;

(e) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the intra-Group liabilities or the Debtor liabilities, to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those intra-Group liabilities or Debtor liabilities on behalf of the relevant intra-Group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Super Senior Liabilities or Senior Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-Group liabilities or Debtor liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-Group liabilities or Debtor liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*" (to the extent that the asset disposed of constituted secured assets) as if those proceeds were the proceeds of an enforcement of the relevant security interest and, to the extent that any disposal of liabilities or Debtor liabilities has occurred, as if that disposal of liabilities or Debtor liabilities had not occurred.

In the case of a Distressed Disposal effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

Where borrowing liabilities, guarantee liabilities and/or other liabilities in relation to a member of the Group would otherwise be released pursuant to the terms of the Intercreditor Agreement, the Creditor or Operating Facility Lender concerned may elect to have those borrowing liabilities, guarantee liabilities and/or, as the case may be, other liabilities transferred to the Parent in which case the Security Agent is irrevocably authorized (to the extent legally possible and at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor, Operating Facility Lender, other Secured Party or Debtor) to execute such documents as are required to so transfer those liabilities.

Subject to the immediately following paragraph, in the case of a Distressed Disposal effected by or at the request of the Security Agent (acting in accordance with the Intercreditor Agreement), unless the consent of each Senior Agent is otherwise obtained, it is a further condition to any release, transfer or disposal that the proceeds of such disposal are in cash (or substantially all in cash) and such sale or disposal is made pursuant to a "public auction" in respect of which the Primary Creditors are entitled to participate or, in circumstances where the Security Agent (acting in good faith) considers that a public auction is not reasonably practicable taking into account all relevant circumstances or following an attempted public auction the Primary Creditors (other than the Permitted Second Lien Financing Creditors and the Senior Parent Creditors) make the highest final binding offer of all the offers received but that offer is less than the aggregate par value of the Primary Liabilities (other than the Permitted Second Lien Financing Liabilities and the Senior Parent Liabilities), an independent financial adviser has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the Permitted Second Lien Financing Discharge Date a Distressed Disposal is being effected such that, generally, any Permitted Second Lien Financing Liabilities will be released or disposed of or any security securing the Permitted Second Lien Financing Liabilities will be released, it is a further condition to the release that either:

(a) each Permitted Second Lien Creditor Representative has approved the release; or

(b) where shares or assets of a borrower, issuer or guarantor in respect of the Permitted Second Lien Financing Liabilities are sold:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash);

(ii) all claims of the Super Senior Secured Creditors, the Senior Secured Creditors, the Senior Notes Creditors, the Permitted Senior Financing Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) or assets are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security interests under the security documents in respect of the shares or assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; provided that, if each of the Revolving Agent, any Senior Notes Trustee and any relevant senior secured creditor representative (acting reasonably and in good faith):

(A) determines that the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable) will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

(B) serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(iii) such sale or disposal is made:

(A) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(B) in circumstances where the Security Agent (acting in good faith) considers that a public auction is not reasonably practicable taking into account all relevant circumstances or following an attempted public auction the Primary Creditors (other than the Permitted Second Lien Financing Creditors and the Senior Parent Creditors) make the highest final binding offer of all the offers received but that offer is less than the aggregate par value of the Primary Liabilities (other than the Permitted Second Lien Financing Liabilities and the Senior Parent Liabilities), an independent financial adviser has delivered an opinion in respect of such sale or disposal, that the amount received in connection therewith, generally, is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/ or secured and/or prefunded to its satisfaction).

If prior to the Senior Parent Discharge Date a Distressed Disposal is being effected such that, generally, the guarantees of the Senior Parent Notes and the guarantees of any Permitted Parent Financing Debt or any security over the assets of a Senior Parent Debt Issuer or any Senior Parent Guarantor will be released and/or the Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities will be released or disposed of, it is a further condition to the release that either:

(a) the Senior Parent Notes Trustee and any Senior Parent Creditor Representative has approved the release; or

(b) where shares or assets of a Senior Parent Guarantor or assets of a Senior Parent Debt Issuer are sold:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash); and

(ii) all claims of the Super Senior Secured Creditors, Senior Secured Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) or assets are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security interests under the security documents in respect of the shares or assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; provided that, if each of the Revolving Agent and the Senior Agent (acting reasonably and in good faith):

(A) determines that the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable) will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

(B) serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(iii) such sale or disposal is made:

(A) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(B) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal, that the amount received in connection therewith, generally, is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Application of Proceeds

Order of Application

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of the debt documents or in connection with the realization or enforcement of all or any part of the relevant security interests (for the purposes of this "—*Application of Proceeds*" section and the "—*Equalization*" section, the "**Recoveries**") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this "—*Application of Proceeds*" section), in the following order of priority:

(a) in discharging any sums owing to the Revolving Agent (in respect of the amounts due to the Revolving Agent), each Senior Agent (in respect of the amounts due to the relevant Senior Agent), each Permitted Second Lien Creditor Representative (in respect of the amounts due to the relevant Permitted Second Lien Creditor Representative) and any Senior Parent Creditor Representative (in respect of amounts due to the relevant Senior Parent Creditor Representative), certain amounts payable to the Senior Notes Trustee, any Permitted Second Lien Notes Trustee or Senior Parent Notes Trustee, or any sums owing to the Security Agent, any receiver or any delegate on a pro rata and *pari passu* basis;

(b) in payment of all costs and expenses incurred by certain creditor representatives, any Primary Creditor or any Operating Facility Lender in connection with any realization or enforcement of the security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(c) in payment to:

(i) the Revolving Agent on its own behalf and on behalf of the Revolving Arrangers and the Revolving Lenders;

(ii) the Hedge Counterparties; and

(iii) the Operating Facility Lenders;

for application towards the discharge of:

(A) the liabilities of the Debtors owed to the Revolving Arrangers under or in connection with Revolving Facility Agreement and the Revolving Liabilities (in accordance with the terms of the Revolving Finance Documents);

(B) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty); and

(C) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

on a pro rata basis and *pari passu* between paragraphs (A) to (C) above;

(d) in payment to:

(i) each Senior Notes Trustee on its own behalf and on behalf of the holders of the Senior Notes; and

(ii) each Permitted Senior Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Creditors;

for application towards the discharge of:

(A) the Senior Notes liabilities (other than sums owing to the Security Agent) (in accordance with the terms of the Senior Notes Finance Documents);

(B) the liabilities of the Debtors owing to the arrangers of the Permitted Senior Financing Debt and the Permitted Senior Financing Liabilities (other than the liabilities owing to a Senior Creditor Representative) (in accordance with the terms of the Permitted Senior Financing Documents and, if there is more than one Permitted Senior Financing Agreement, on a pro rata basis between the Permitted Senior Financing Debt in respect of each Permitted Senior Financing Agreement);

on a pro rata basis and *pari passu* between paragraphs (A) and (B) above;

(e) in payment to each Permitted Second Lien Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Second Lien Financing Debt and the Permitted Second Lien Financing Creditors, for application towards the discharge of the liabilities of the Debtors owing to the arrangers of the Permitted Second Lien Financing Debt and the Permitted Second Lien Financing Liabilities (other than the liabilities owing to a Permitted Second Lien Creditor Representative) (in accordance with the terms of the Permitted Second Lien Financing Documents and, if there is more than one Permitted Second Lien Financing Agreement, on a pro rata basis between the Permitted Second Lien Financing Debt in respect of each Permitted Second Lien Financing Agreement);

(f) in payment to:

(i) each Senior Parent Notes Trustee on its own behalf and on behalf of the Senior Parent Noteholders; and

(ii) each Senior Parent Creditor Representative on its own behalf and on behalf of the arrangers under the Permitted Parent Financing Debt and the Permitted Parent Financing Creditors,

for application towards the discharge of:

(A) the Senior Parent Notes Liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the Senior Parent Notes Finance Documents); and

(B) the liabilities of the Debtors owed to the arrangers of the Permitted Parent Financing Debt and the Permitted Parent Financing Liabilities (other than the liabilities owing to a Senior Parent Creditor Representative) (in accordance with the terms of the Permitted Parent Financing Documents and, if there is more than one Permitted Parent Financing Agreement, on a pro rata basis between the Permitted Parent Financing Debt in respect of each Permitted Parent Financing Agreement),

on a pro rata basis and *pari passu* between paragraphs (A) and (B) above;

(g) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(h) the balance, if any, in payment to the relevant Debtor.

The Security Agent is authorized under the Intercreditor Agreement to hold any non-cash consideration received or recovered in connection with the realization or enforcement of all or any part of the security until cash is received for any such non-cash consideration, provided that the Security Agent may distribute any such non-cash consideration to a Secured Party which has agreed, on terms satisfactory to the Security Agent, to receive such non-cash consideration and the liabilities owed to that Secured Party shall be reduced by an amount equal to the value of that non-cash consideration upon receipt by that Secured Party of that non-cash consideration.

Liabilities of the Senior Parent Debt Issuer

Generally, all amounts from time to time received or recovered by the Security Agent from or in respect of the Senior Parent Debt Issuer pursuant to the terms of any debt document (other than in connection with the realization or enforcement of all or any part of the relevant security interests) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

(a) in accordance with paragraph (a) under the caption "*—Application of Proceeds-Order of Application*";

(b) in accordance with paragraph (b) under the caption "*—Application of Proceeds-Order of Application*";

(c) in accordance with paragraphs (c) to (f) under the caption "*—Application of Proceeds—Order of Application*," provided that payments will be made on a pro rata basis and *pari passu* between each of the payments referred to in the foregoing paragraphs (c) and (to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where the relevant Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower) (f);

(d) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(e) the balance, if any, in payment to the relevant Debtor.

Equalization

The Intercreditor Agreement generally provides that:

(a) if, for any reason, any Senior Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the relevant Senior Secured Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the relevant Senior Secured Creditors at the relevant enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security interests or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*"), the relevant Senior Secured Creditors will make such payments among themselves as the Security Agent shall require to put the relevant Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*");

(b) if, for any reason, any Permitted Second Lien Financing Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the Permitted Second Lien Financing Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the relevant Permitted Second Lien Financing Creditors at the relevant enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security interests or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*"), the relevant Permitted Second Lien Financing Creditors will make such payments among themselves as the Security Agent shall require to put the relevant Permitted Second Lien Financing Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*"); and

(c) if, for any reason, any Super Senior Liabilities or Operating Facility Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the relevant Super Senior Secured Creditors and the Operating Facility Lenders in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the relevant Super Senior Secured Creditors and the Operating Facility Lenders at the relevant enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security interests or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*"), the relevant Super Senior Secured Creditors and the Operating

Facility Lenders will make such payments among themselves as the Security Agent shall require to put the relevant Super Senior Secured Creditors and the Operating Facility Lenders in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated in the section captioned "—*Application of Proceeds—Order of Application*").

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it and/or a security document may be amended or waived only with the written consent of:

(a) if the relevant amendment or waiver (the "**Proposed Amendment**") is prohibited by the Revolving Facility Agreement, the Revolving Agent (acting on the instructions of the Majority Revolving Lenders);

(b) if the Proposed Amendment is prohibited by the Senior Debt Documents, the relevant Senior Agent (acting on the instructions of the requisite Senior Secured Creditors) or, in respect of any Senior Notes that have been issued, the Senior Notes Trustee;

(c) if the Proposed Amendment is prohibited by the Permitted Second Lien Financing Document, the relevant Permitted Second Lien Creditor Representative (acting on the instructions of the requisite Permitted Second Lien Financing Creditors) or, in respect of any Permitted Second Lien Financing Debt constituted by notes that have been issued, the Permitted Second Lien Notes Trustee in respect thereof;

(d) if any Senior Parent Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Parent Notes Indenture, the Senior Parent Notes Trustee;

(e) if any Permitted Parent Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Parent Financing Agreement, the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt (if applicable, acting on the instructions of the Majority Permitted Parent Financing Creditors);

(f) if a Hedge Counterparty is providing hedging to a Debtor under a Hedging Agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable Hedging Agreement, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);

(g) if an Operating Facility Lender is providing one or more facility to a Debtor under an Operating Facility Document, that Operating Facility Lender (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Operating Facility Lender and is an amendment or waiver which is expressed to require the consent of that Operating Facility Lender under the applicable Operating Facility Document, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);

(h) certain investors as permitted under the Intercreditor Agreement; and

(i) the Parent.

Notwithstanding the foregoing, any amendment or waiver of any Secured Debt Document that is made or effected in connection with any Debt Refinancing (see "—*Debt Refinancing*" above), any incurrence of additional and/or refinancing debt (as referred to in "—*Ranking and Priority—Additional and/or Refinancing Debt*" above) or "non-Distressed Disposal" (see "—*Proceeds of Disposals—Non-Distressed Disposals*") or any other provision of the Intercreditor Agreement or in connection with any other provision of any Secured Debt Document (provided that such amendment or waiver is not expressly prohibited by the terms of any other Secured Debt Document) shall be binding on all parties to the Intercreditor Agreement.

The Intercreditor Agreement or a security document may be amended by the Parent and the Security Agent without the consent of any other party, to cure defects or omissions, resolve ambiguities or inconsistencies or reflect changes of a minor, technical or administrative nature, or as otherwise for the benefit of all or any of the Secured Parties.

Any amendment, waiver or consent which relates only to the rights or obligations applicable to creditors under a particular Debt Financing Agreement (and which does not materially and adversely affect the rights or interests of creditors under other Debt Financing Agreements) may be approved with only the consent of the creditor representative in respect of that Debt Financing Agreement and the Parent.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any debt document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if the Parent consents, amend the terms of, waive any of the requirements of or grant consents under, any of the security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned "—*Exceptions*," any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed requires approval as set out under the section captioned "—*Required Consents*."

Guarantees

The Intercreditor Agreement additionally provides for Hedge Counterparties and Operating Facility Lenders (each as defined above) to receive guarantees and indemnities from the Debtors on substantially the same terms (including the relevant limitations) as such guarantees and indemnities are provided by the obligors to the finance parties under the Revolving Facility Agreement.

Exceptions

Subject to the following paragraphs of this "—*Exceptions*" section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an agent, an arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that agent, that arranger or the Security Agent (as the case may be) at such time.

The foregoing shall not apply:

- to any release of security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption "—*Proceeds of Disposals*" above.

The first paragraph of this "—*Exceptions*" section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents to the contrary.

Governing law

The Intercreditor Agreement is governed by English law.

Miscellaneous Facilities

The Group has various miscellaneous debt factoring and uncommitted overdraft facilities provided by certain financial institutions in relation to the Group's cash management and other administrative requirements in the territories in which the Group operates. The Group's Miscellaneous Facilities comprise of account receivables purchase agreements, factoring agreements (on a non-recourse basis), supplier agreements and other miscellaneous facilities. The Miscellaneous Facilities are non-recourse facilities. The Miscellaneous Facilities will remain outstanding as of the Settlement Date. As of September 30, 2024, the carrying value under the Miscellaneous Facilities was £21.9 million.

Existing Notes

The terms of the Existing Notes contain substantially similar covenants, events of default, amendment and waiver provisions and definitions to those of the Exchange Notes. See "*Summary of the Terms of the Exchange Notes*" and "*Description of the New Notes.*"

The Existing Notes have been issued in minimum denominations of €100,000 and integral multiples of €1,000, in excess thereof. The Existing Notes have been accepted for book-entry delivery and clearing via the facilities of Euroclear and Clearstream.

The Existing Notes are ranked equally and are secured by the same Collateral as the New Notes and guaranteed by the same Guarantors, except that the Guarantee to be provided by the Luxembourg Guarantor will not guarantee the obligations of the Issuer in respect of the Outstanding Existing Notes. However, any debt under the Outstanding Existing Notes, if any, will be subject to the equalization provisions in the Intercreditor Agreement and the Outstanding Existing Notes, if any, shall therefore receive the indirect benefit of any claims made against the Luxembourg Guarantor. In addition, the guarantees and collateral granted by Quest Topco Limited, Quest Bidco Limited and Quest Newco Limited, which support the Existing Notes, will not be extended to also support the New Notes, as following the sale of business and/or assets held by such entities, they are non-trading holding companies without any material assets or liabilities.

See "*Summary of the Terms of the Exchange Notes*" and "*Description of the New Notes*."

Existing Floating Rate Notes

On November 8, 2021, the Issuer issued €640,000,000 aggregate principal amount of floating rate senior secured notes due 2027 under the Existing Indenture. As of the date of this Exchange Offer Memorandum, €640,000,000 in aggregate principal amount of the Existing Floating Rate Notes are outstanding.

Interest on and Maturity of the Existing Floating Rate Notes

Interest on the Existing Floating Rate Notes accrues at a rate of three-month EURIBOR (subject to 0.0% floor) plus a margin of 4.625% per year, reset quarterly. Interest on the Existing Floating Rate Notes is payable in cash quarterly in arrears on February 15, May 15, August 15 and November 15 of each year to holders of record on the immediately preceding business day.

The Existing Floating Rate Notes will mature on November 15, 2027.

Optional Redemption of the Existing Floating Rate Notes

Since November 15, 2023, the Existing Floating Rate Notes are redeemable at the Issuer's option in whole or in part at par plus accrued and unpaid interest and additional amounts, if any, each as set forth in the Existing Floating Rate Notes.

The remaining redemption provisions are substantially similar to the ones that will govern the Exchange Notes set forth under "*Summary of the Terms of the Exchange Notes*" and "*Description of the New Notes—Optional Redemption*."

Existing Euro Fixed Rate Notes

On November 8, 2021, the Issuer issued €400,000,000 aggregate principal amount of the 4.500% Senior Secured Notes due 2026 under the Existing Indenture. As of the date of this Exchange Offer Memorandum, €400,000,000 in aggregate principal amount of the Existing Euro Fixed Rate Notes are outstanding.

Interest on and Maturity of the Existing Euro Fixed Rate Notes

Interest on the Existing Euro Fixed Rate Notes will accrue at the rate of 4.500% per annum on the principal outstanding on the Existing Euro Fixed Rate Notes. Interest on the Existing Euro Fixed Rate Notes will be payable in cash, semi-annually in arrears on May 15 and November 15 of each year to holders of record on the immediately preceding business day.

The Existing Euro Fixed Rate Notes will mature on November 15, 2026.

Optional Redemption of the Existing Euro Fixed Rate Notes

From November 15, 2024, the Existing Euro Fixed Rate Notes are redeemable at the Issuer's option in whole or in part at 101.125% plus accrued and unpaid interest and additional amounts, if any. Commencing on November 15, 2025, the Existing Euro Fixed Rate Notes are redeemable at the Issuer's option in whole or in part at par plus accrued and unpaid interest and additional amounts, if any, each as set forth in the Existing Euro Fixed Rate Notes.

The remaining redemption provisions are substantially similar to the ones that will govern the Exchange Notes set forth under "*Summary of the Terms of the Exchange Notes*" and "*Description of the New Notes—Optional Redemption*."

Existing Sterling Fixed Rate Notes

On November 8, 2021, the Issuer issued £350,000,000 aggregate principal amount of 6.000% senior secured notes due 2026 under the Existing Indenture. As of the date of this Exchange Offer Memorandum, £350,000,000 in aggregate principal amount of the Existing Sterling Fixed Rate Notes are outstanding.

Interest on and Maturity of the Sterling Fixed Rate Notes

Interest on the Existing Sterling Fixed Rate Notes accrues at the rate of 6.000% per annum on the principal outstanding on the Existing Sterling Fixed Rate Notes. Interest on the Existing Sterling Notes accrues from the issue date of the Existing Sterling Fixed Rate Notes and is payable in cash semi-annually in arrear on each May 15 and November 15 of each year, commencing on May 15, 2022.

The Existing Sterling Fixed Rate Notes will mature on November 15, 2026.

Optional Redemption of the Existing Sterling Fixed Rate Notes

From November 15, 2024, the Existing Sterling Fixed Rate Notes are redeemable at the Issuer's option in whole or in part at 101.500% plus accrued and unpaid interest and additional amounts, if any. Commencing on November 15, 2025, the Existing Sterling Fixed Rate Notes are redeemable at the Issuer's option in whole or in part at par plus accrued and unpaid interest and additional amounts, if any, each as set forth in the Existing Sterling Fixed Rate Notes.

The remaining redemption provisions are substantially similar to the ones that will govern the Exchange Notes set forth under "*Summary of the Terms of the Exchange Notes*" and "*Description of the New Notes—Optional Redemption*."

BOOK-ENTRY, DELIVERY AND FORM

General

The Exchange Notes delivered to persons who are non-"U.S. persons" who are not resident in the United States and are not located in or at any address in the United States in reliance on Regulation S under the Securities Act will be initially represented by global notes in registered form without interest coupons attached (the "**Global Notes**"). The Global Notes will be deposited, on the relevant closing dates, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

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

In the event that any additional New Floating Rate Notes issued after the date hereof and sold pursuant to Rule 144A are not fungible with any New Floating Rate (including the Exchange Notes) previously issued under the New Indenture for U.S. federal income tax purposes, such non-fungible additional New Floating Rate Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued New Floating Rate under the New Indenture. Additional New Floating Rate Notes sold pursuant to Regulation S from time to time may be issued with the same ISIN, Common Code, CUSIP or other securities identification number as the applicable series of New Floating Rate Notes previously issued under the New Indenture without being fungible with such series of New Floating Rate Notes for U.S. federal income tax purposes.

In the event additional New Floating Rate Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as the Exchange Notes, without being fungible with the initially issued Exchange Notes for U.S. federal income tax purposes, Book-Entry Interests in the Exchange Notes held in Regulation S global notes format that form part of that series, including in respect of investors that hold Book-Entry Interests in the Exchange Notes in Regulation S global notes format on or prior to the date of issuance of such additional New Floating Rate Notes, will not be eligible for transfer to Book-Entry Interests in New Floating Rate Notes held in a Rule 144A global notes format (if any) representing New Floating Rate Notes of that same series. Such a restriction could adversely impact the liquidity of sales of Book-Entry Interests in the Regulation S Global Notes. See "*Risk Factors—Risks relating to our financial profile, the Exchange Notes and the Note Guarantees—Additional New Notes may not be fungible with the Exchange Notes for U.S. federal income tax purposes*," "*Book-Entry, Delivery and Form—Transfers*" and "*Description of the New Notes—Additional Notes*."

Ownership of interests in the Global Notes (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. The Book-Entry Interests in the Global Notes will be issued only in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Exchange Notes are in global form, holders of Book-Entry Interests will not have the Exchange Notes registered in their names, will not receive physical delivery of the Exchange Notes in certificated form and will not be considered the owners or "holders" of the Exchange Notes for any purpose.

So long as the Exchange Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee), as applicable, will be considered the sole holder of the Global Notes for all purposes under the New Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of the Exchange Notes under the New Indenture.

Neither we, the New Notes Trustee, the Paying Agent, the Transfer Agent, the Registrar nor any of our or their respective agents will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Definitive Registered Notes

Under the terms of the New Indenture, owners of the Book-Entry Interests will receive definitive Exchange Notes in registered form (the "**Definitive Registered Notes**"):

(1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default (as defined under "*Description of the New Notes*") under the New Indenture and enforcement action is being taken in respect thereof under the New Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that we issue or cause to be issued Exchange Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the New Indenture, unless that legend is not required by the New Indenture or applicable law.

To the extent permitted by law, we, the New Notes Trustee, the Paying Agent, the Transfer Agent and the Registrar and our and their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Exchange Notes.

We will not impose any fees or other charges in respect of the Exchange Notes; however, owners of the Book- Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of the 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 them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Exchange Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate, provided, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent for onward payment to Euroclear and Clearstream. Euroclear and Clearstream will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the New Notes—Additional Amounts*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the New*

Notes—Additional Amounts" above, we will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes after such deduction or withholding to equal the net amounts that such holder would have otherwise received in respect of such Global Note absent such withholding or deduction. We expect 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 New Indenture, we, the New Notes Trustee, the Paying Agent, the Registrar and the Transfer Agent and our and their respective agents will treat the registered holders of the Global Notes (i.e., the common depositary for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the New Notes Trustee, the Paying Agent, the Registrar or the Transfer Agent or any of our or their agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;

- Euroclear, Clearstream or any participant or indirect participant; or

- the records of the common depositary.

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 to holders of interests to such Exchange Notes through Euroclear or Clearstream in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Exchange Notes (including the presentation of Exchange 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 Exchange 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 Exchange Notes, Euroclear and Clearstream, at the request of the holders of the Exchange Notes, reserve the right to exchange the Global Notes for Definitive Registered Notes, and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear's or Clearstream's rules and will be settled in immediately available funds. If a holder of Exchange Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Exchange Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Exchange Notes 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 New Indenture.

The Global Notes will bear a legend to the effect set forth under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*."

In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and/or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants. See "*—Information Concerning Euroclear and Clearstream*."

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. None of the Issuer, the New Notes Trustee, the Paying Agent, the Transfer Agent, the Registrar are responsible for those operations or procedures.

We understand as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Exchange Notes represented by the Global Notes are expected to be listed on the Official List of the Exchange and the Authority is expected to grant permission for the listing of and permission to deal in the Exchange Notes on the Official List of the Exchange. The Exchange Notes are expected to be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Exchange Notes are set out under "*Listing and General Information*." Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, any guarantor, the New Notes Trustee, the Paying Agent, the Transfer Agent, the Registrar or our or their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlements for the Exchange Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date.

The Issuer will deliver the Cash Consideration for each Eligible Holder's validly tendered and not validly withdrawn and accepted Existing Floating Rate Notes by depositing the cash in immediately available funds therefor to the Clearing Systems for credit to the accounts of the relevant Existing Noteholders.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

New Notes Trustee's Powers

In considering the interests of the noteholders, while title of the Exchange Notes is registered in the name of a nominee of Euroclear or Clearstream, the New Notes Trustee may have regard to, and rely on, any information provided to it by that clearing system as to the identity (either individually or by category) of its accountholders with entitlements to the Exchange Notes and may consider such interests as if such accountholders were the noteholders.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Exchange Notes through Euroclear or Clearstream on days when those systems are open for business.

TAX CONSIDERATIONS

If you are a prospective investor, you should consult your tax advisor as to the possible tax consequences of purchasing, holding or selling any Exchange Notes under the laws of your country of citizenship, residence or domicile, including the effect of any local taxes applicable to you. The discussion that follows does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase, hold or sell Exchange Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to you. The discussion that follows for each jurisdiction is based upon the applicable laws and interpretations thereof as in effect as of the date of this Exchange Offer Memorandum. These tax laws and interpretations are subject to change, possibly with retroactive or retrospective effect

Certain United Kingdom Tax Considerations

General

The following is a general summary of certain UK tax consequences relating to the Exchange Notes and is based on current UK tax law and HMRC published practice (which may not be binding on HMRC), both of which may be subject to change, possibly with retrospective effect. It does not purport to be a complete analysis of all UK tax considerations relating to the Exchange Notes. It does not address the consequences of any substitution of the Issuer or further issues of securities that will form a single series with any of the series of Exchange Notes (notwithstanding that such substitution or further issue may be permitted by the terms and conditions of the Exchange Notes). The summary below relates only to persons who are the absolute beneficial owners of their Exchange Notes and any interest payable on their Exchange Notes and who hold their Exchange Notes as a capital investment. Certain classes of persons (such as brokers or dealers in securities, certain professional investors and persons connected with the Issuer) may be subject to special rules and the summary below does not apply to such holders of the Exchange Notes. The UK tax treatment of prospective holders of the Exchange Notes ("**Exchange Noteholders**") depends on their individual circumstances and may be subject to change in the future. This summary does not purport to constitute legal or tax advice. If you are subject to tax in any jurisdiction other than the United Kingdom or if you are in any doubt as to your tax position, you should consult an appropriate professional advisor.

Interest on the Exchange Notes

Withholding Tax

Interest on the Exchange Notes may be payable without withholding or deduction for or on account of UK income tax provided the Exchange Notes are and remain listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007 (the "**ITA**"). The Exchange is a recognised stock exchange for these purposes. Securities such as the Exchange Notes will be treated for these purposes as listed on the Exchange if they are included in the Official List of the Exchange in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Exchange.

Interest on the Exchange Notes may also be paid without withholding or deduction for or on account of UK income tax where the Issuer reasonably believes at the time the payment is made that (i) the person beneficially entitled to the interest is a UK resident company, (ii) the person beneficially entitled to the interest is a non-UK resident company that carries on a trade in the United Kingdom through a permanent establishment and the payment is one that the non-UK resident company is required to bring into account when calculating its profits subject to UK corporation tax or (iii) the person to whom the payment is made is one of the further classes of bodies or persons, and meets any relevant conditions, set out in Sections 935-937 of the ITA, provided that, in each case, HMRC has not given a direction that the payment may not be made without that withholding or deduction.

In other cases, an amount must generally be withheld from payments of interest on the Exchange Notes for or on account of UK income tax at the basic rate (currently 20%) unless an applicable double tax treaty provides for a full exemption from (or a lower rate of) UK tax in relation to an Exchange Noteholder and HMRC has issued a direction to the Issuer to pay interest to that Exchange Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

If an amount is withheld or deducted for or on account of UK income tax from a payment of interest on the Exchange Notes (e.g., if the Exchange Notes are not or cease to be listed on the Exchange and no other relief or exemption is available), Exchange Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Any premium payable on redemption of the Exchange Notes may be treated as a payment of interest for UK tax purposes and may accordingly be subject to the UK withholding tax treatment described above.

The Exchange Notes may be issued at an issue price of less than 100% of their principal amount. Any discount element on any such Exchange Notes will not generally be subject to any withholding or deduction for or on account, of UK income tax.

Direct Assessment

The interest and premium (if any) on the Exchange Notes is expected to have a UK source for tax purposes and accordingly may be chargeable to UK tax by direct assessment (including self-assessment) even where paid without withholding or deduction. However, where the interest and premium (if any) is paid without withholding or deduction for or on account of UK tax, the interest will not be assessed to UK tax in the hands of Noteholders (other than certain trustees) who are not resident for tax purposes in the United Kingdom, except where (i) the Noteholder carries on a trade, profession or vocation in the United Kingdom through a branch or agency in the United Kingdom or, in the case of a corporate holder, carries on a trade through a permanent establishment in the United Kingdom, and (ii) the interest and premium (if any) arises through or from, or the Exchange Notes are used or held by, that branch or agency or is received in connection with, or the Exchange Notes are attributable to, that permanent establishment (as applicable), in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the UK branch or agency, or permanent establishment.

Noteholders should note that the provisions relating to additional amounts referred to in "*Description of the Exchange Notes—Additional Amounts*" above would not apply if HMRC sought to assess directly the person entitled to the relevant interest to UK tax. However exemption from, or reduction of, such UK tax liability might be available under an applicable double taxation treaty.

Payments by the UK Guarantors

The UK withholding tax treatment of payments by the Guarantors under the terms of the Guarantees in respect of interest on the Exchange Notes (or other amounts due under the Exchange Notes other than the repayment of amounts subscribed for the Exchange Notes) is uncertain. In particular, such payments by the Guarantors may not be eligible for the exemptions from UK withholding tax described above in relation to payments of interest. Accordingly, if the Guarantors make any such payments and they have a UK source, these may be subject to UK withholding tax at the basic rate (currently 20%).

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No UK stamp duty or SDRT is payable on the issuance of the Exchange Notes, as the issue does not involve the transfer of any stock or marketable securities (as defined by Section 122 of the Stamp Act 1891). Further, no UK stamp duty or SDRT is payable on a transfer of, or agreement to transfer, the Exchange Notes assuming that (i) the interest on the Exchange Notes does not exceed a reasonable commercial return on the nominal amount of the capital and (ii) any right on repayment of the Exchange Notes to an amount which exceeds the nominal amount of the Exchange Notes is reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the London Stock Exchange.

Provision of Information

HMRC have powers to obtain information and documents relating to the Exchange Notes, including in relation to issues of and other transactions in the Exchange Notes, interest, payments treated as interest and other payments derived from the Exchange Notes. This may include the value of the Exchange Notes, details of the beneficial owners of the Exchange Notes, of the person for whom the Exchange Notes are held and of the persons to whom payments derived from the Exchange Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Exchange Notes, persons who make, receive or are entitled to receive payments derived from the Exchange Notes and persons by or through whom interest and payments treated as interest are paid or credited.

Information obtained by HMRC may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

Taxation on Exchange

The exchange of Existing Notes for Exchange Notes and the Cash Consideration pursuant to the Exchange Offer will result in a sale (or other disposal) of the Existing Notes.

Existing Noteholders Within the Charge to United Kingdom Corporation Tax

Existing Noteholders within the charge to United Kingdom corporation tax (including non-resident Existing Noteholders whose Existing Notes are used, held or acquired for the purposes of a trade carried on in the United Kingdom through a permanent establishment) will generally be subject to tax as income on all profits and gains from the Existing Notes, including in respect of the exchange of Existing Notes and receipt of the Cash Consideration, in accordance with their statutory accounting treatment.

Other United Kingdom Existing Noteholders

Disposals of Existing Notes (including under the Exchange Offer) by Existing Noteholders who are either individuals or trustees and are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Existing Notes are attributable, or, in the case of individuals, who cease to be resident in the United Kingdom for a period of five years or less, may give rise to chargeable gains or allowable losses for the purposes of the taxation of capital gains. In calculating any gain or loss on disposal of the Existing Notes, sterling values are compared at acquisition and disposal. Accordingly, a taxable profit can arise even where the foreign currency amount received on a disposal is less than, or the same as, the amount paid for the Existing Notes.

Other Existing Noteholders

Existing Noteholders that are subject to tax in any jurisdiction other than the United Kingdom are urged to consult their own professional advisers regarding the possible tax consequences under the laws of the jurisdictions that apply to them or to the exchange of their Existing Notes and the receipt pursuant to the Exchange Offer of Exchange Notes and the Cash Consideration.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND SECURITY INTERESTS

The following is a summary of certain limitations on the validity and enforceability of the Note Guarantees and the Collateral in the jurisdiction in which the Issuer and the Guarantors are organized as well as a general discussion of insolvency proceedings governed by these laws for informational purposes only.

This summary does not address all legal considerations that may be relevant to holders and it does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Note Guarantees and the Collateral. Bankruptcy, insolvency or similar proceedings could be initiated in any of the jurisdictions of organization of a future guarantor of the Exchange 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 Exchange Notes, the Note Guarantees and the Collateral.

Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

England and Wales

United Kingdom's withdrawal from the EU

Following a national referendum in June 2016, the United Kingdom exercised its right pursuant to Article 50 of the Treaty on the to initiate a process to withdraw from the EU and ceased to be a member of the EU on January 31, 2020 at 11:00 p.m. (London time) ("**Exit Day**"). As a result, a reference in this Exchange Offer Memorandum to Regulation (EU) 2015/848 of May 20, 2015 on insolvency proceedings recast (the "**Recast Insolvency Regulation**"), as it applies to the United Kingdom is to be read, on or after Exit Day, as a reference to such EU regulation as it forms part of domestic English law by virtue of section 3 of the EUWA and, as it may have been, or may from time to time be, amended, modified or re-enacted by English domestic law and shall include any subordinate legislation made from time to time under the Recast Insolvency Regulation, as it forms part of English domestic law by virtue of section 3 of the EUWA.

On Exit Day, the United Kingdom entered into a transition period which ended on December 31, 2020 at 11:00 p.m. (London time) ("**IP Day**"). During this transition period, the United Kingdom continued to be treated as a Member State, including for the purpose of the Recast Insolvency Regulation. Following the transition period, the United Kingdom ceased to be treated as a Member State.

The Recast Insolvency Regulation was amended with effect from IP Day pursuant to the Insolvency (Amendment) (EU Exit) Regulations 2019 (as amended by the Insolvency (Amendment) (EU Exit) Regulations 2020, the Insolvency (Amendment) (EU Exit) (No. 2) Regulations 2019 and paragraph 1, schedule 5, European Union (Withdrawal Agreement) Act 2020) (the "**Insolvency Amendment Regulations**") such that the provisions regarding mutual recognition of insolvency proceedings under the Recast Insolvency Regulation, providing for the automatic recognition of insolvency proceedings commenced in Member States, no longer apply. However, the EUWA provided for the Recast Insolvency Regulation to continue to apply, as it did pre-IP Day, to insolvency proceedings provided that the main proceedings were opened before IP Day. As such, it appears that the Recast Insolvency Regulation will not continue to apply where only territorial proceedings have been opened before IP Day. Therefore, and provided that the main proceedings were started before IP Day, the English courts will continue to recognize insolvency proceedings commenced in Member States in accordance with the unmodified Recast Insolvency Regulation, and will receive reciprocal recognition of English insolvency proceedings in the Member States.

The Insolvency Amendment Regulations, which (with the exception of the Insolvency (Amendment) (EU Exit) Regulations 2020 which came into effect immediately prior to IP Day) came into effect on Exit Day, amend EU insolvency legislation which previously had direct effect in the United Kingdom. In addition to any other grounds to establish jurisdiction that apply under English law, the post-IP Day Recast Insolvency Regulation (as amended by the Insolvency Amendment Regulations) expressly provides that jurisdiction to commence insolvency proceedings under English law in respect of a debtor can be established where such proceedings are opened for the purposes of rescue, adjustment of debt, reorganization or liquidation and:

- the debtor's center of main interests ("**COMI**") is in the United Kingdom; or

- the debtor's COMI is in a Member State (other than Denmark) and there is an establishment in the United Kingdom.

These tests are consistent with the Recast Insolvency Regulation for determining the proper jurisdiction for a debtor's insolvency proceedings and the applicable law to be used in those proceedings. However, the Insolvency Amendment Regulations extend the English court's jurisdiction, provided the court considers there to be a sufficient connection with England and Wales (and that (a) there is a reasonable possibility, if a winding-up order is made, of benefit to those applying for the winding-up order and (b) one or more persons interested in the distribution of assets of the company is a person over whom the court can exercise jurisdiction). In such circumstances, the English court would have jurisdiction to wind up any foreign company which might be wound up as an unregistered company under English insolvency law, even if its COMI is in a Member State and it has no establishment in the United Kingdom; and (ii) to place a company incorporated in an EEA state, or having its COMI in a Member State, into administration.

While the English courts can assume jurisdiction over certain foreign companies in respect of certain insolvency proceedings on these bases, the efficacy of such proceedings will significantly depend on the likelihood and extent of subsequent recognition of such proceedings in relevant other jurisdictions (see "*—Cross-border recognition of English insolvency and restructuring proceedings*").

Insolvency

The Issuer, certain of the Guarantors and certain of the providers of Collateral are companies incorporated under the laws of England and Wales (each an "**English company**" and the Issuer and certain of the Guarantors in their capacity as obligors incorporated under the laws of England and Wales, each an "**English Obligor**"). The courts of England and Wales have jurisdiction to open insolvency proceedings, based on English insolvency laws, in respect of an English company.

In addition, the Cross-Border Insolvency Regulations 2006 (SI 2006/1030) (the "**Cross-Border Insolvency Regulations**"), which implement the UNCITRAL Model Law on Cross-Border Insolvency (the "**Model Law**") in the United Kingdom and which apply to foreign insolvency proceedings (subject to certain exceptions) anywhere in the world without any condition of reciprocity, provide that certain collective foreign (i.e., non-English) proceedings in respect of an English company may be recognized by the English courts as foreign main proceedings where it has its COMI in that foreign jurisdiction, or as foreign non main proceedings where the Company has an "establishment" (being a place of operations where it carries out a non-transitory economic activity with human means and assets or services) in such foreign jurisdiction. Should any English company have its COMI in a jurisdiction that is not within the United Kingdom, and insolvency proceedings are opened in that jurisdiction and afforded recognition by the English courts, any proceedings opened in England and Wales would be limited to the assets of the relevant company that are located in Great Britain. Upon recognition of foreign main proceedings, an automatic stay, equivalent to the stay in an English compulsory liquidation (see below), will apply to prevent certain types of creditor action in Great Britain, including commencement of proceedings concerning the debtor's assets, rights, obligations or liabilities (but the automatic stay will not affect a creditor's rights to enforce security over the debtor's property (albeit a stay may be requested from the English court)). No automatic stay applies upon recognition of foreign non main proceedings (albeit such a stay may be requested from the English court).

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways. These include, in the case of administration, the company, its directors or a creditor making an application to court for an administration order, or the company, its directors or the holder of a "qualifying floating charge" (discussed below) granted by the company and which has become enforceable appointing an administrator out of court, or, in the case of liquidation, by a creditor filing a petition at court to wind up the company or the company resolving by special resolution that it be wound up voluntarily.

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. In the event that an English Obligor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. The obligations under the Exchange Notes will be guaranteed by the Guarantors on the Settlement Date and the Exchange Notes will be secured by security interests over the Collateral on or about the Settlement Date. English insolvency laws and other limitations could limit the enforceability of a Note Guarantee against an English Obligor and the enforceability of security interests over the Collateral.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the Note Guarantees and the security interests over the Collateral. The application of these laws could adversely affect investors, their ability to enforce their rights under the Note Guarantees and/or the Collateral securing the Exchange Notes and therefore may limit the amounts that investors may receive in an insolvency of the Issuer or a Guarantor.

Administration

The Insolvency Act 1986 (as amended, the "**Insolvency Act**") and the on-shored version of the Recast Insolvency Regulation (which pursuant to the Insolvency Amendment Regulations has been substantially amended) provide that an administrator may be appointed (whether in or out of court) in respect of a company incorporated in England and Wales or Scotland, a company incorporated in an EEA state, a company not incorporated in an EEA state but with its COMI in a Member State (other than Denmark), a company (wherever incorporated) having its COMI in the United Kingdom or a company (wherever incorporated) with its COMI in a Member State (other than Denmark) and an "establishment" in the United Kingdom.

Without limitation and subject to specific conditions, following an application to court for an administration order, an administration order can only be made if the court is satisfied that (a) the relevant company is or is likely to become "unable to pay its debts" and (b) the administration order is reasonably likely to achieve the purpose of administration.

A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), in each case under Section 123 of the Insolvency Act. "Cash flow" insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 (for a period of 3 weeks) or to satisfy in full or in part a judgment debt (or similar court order). Without limitation and subject to specific conditions, a company, the directors of such company or the holder of a "qualifying floating charge" granted by the company and which has become enforceable may also appoint an administrator out of court, and different procedures apply according to the identity of the appointer. The purpose of an administration is comprised of three parts that must be considered successively. The administrator must perform their functions with the objective of (i) rescuing the company as a going concern or, (ii) if that is not reasonably practicable, or if the following would achieve a better result for the company's creditors as a whole, achieving a better result for the company's creditors as a whole than would be likely upon immediate liquidation or, (iii) if neither of those objectives is reasonably practicable and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to one or more secured or preferential creditors. The order of priority which applies to any distribution to creditors is set out below (see "*—Priority on insolvency*").

An administrator is given wide powers to conduct the business of the company to which they are appointed and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge). The entitlement of the floating charge holder(s) to receive the proceeds of the realization of the relevant property will be subject to any prior ranking claims in the statutory order of priority, (see "*—Priority on insolvency*"). An administrator may also, with the prior approval of the court, deal with assets subject to a fixed charge, provided that disposing of the property is likely to promote the purpose of the administration and the administrator applies the net proceeds from the disposal towards discharging the obligations of the company to the fixed charge holder. An administrator may also dispose of property of a company subject to a fixed charge with the consent of the secured creditors.

In addition, certain rights of creditors, including secured creditors, are curtailed in an administration. Upon the appointment of an administrator, any existing Part A1 Moratorium (see "*—Corporate Insolvency and Governance Act 2020*") will automatically come to an end and a statutory moratorium is imposed and no step may be taken to enforce security over the company's property except with the consent of the administrator or permission of the court (although a demand for payment could be made under a guarantee granted by the company). The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for permission in light of the hierarchy of statutory objectives of administration described above. An interim moratorium on similar terms will apply where an application for an administration order has been made but not yet granted or dismissed (or where an administration order has not yet taken effect) or from such time as a notice of an intention to appoint an administrator has been filed until the earlier of the appointment of an administrator and the expiry of a period of five business days (where the administrator is proposed to be appointed by the holder of a qualifying floating charge) or 10 business days (where the administrator is proposed to be appointed by the company or directors).

However, certain creditors of a company in administration may, in certain defined circumstances, be able to realize their security over certain of that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral arrangement" (generally, a charge over cash or financial instruments such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226) (as amended) (the **"Financial Collateral Regulations"**) (see further below).

If an English company were to enter administration, whether it would be possible to enforce any security granted by it while the company was in administration without permission of the court or consent of the administrator would depend on whether such security constituted a financial collateral arrangement. A demand for payment could be made under any guarantee granted by the company but no legal process could be instituted against the company in connection therewith without the consent of the administrator or the permission of the court.

Accordingly, if any of the Issuer, the Guarantors or the providers of Collateral were to enter into administration, the Exchange Notes and the Note Guarantees and the Collateral, as applicable, could not be enforced (save to the extent that the Collateral constitutes a financial collateral arrangement) while the relevant company was in administration without the permission of the court or consent of the administrator. There can be no assurance that the Security Agent would obtain such permission of the court or consent of the administrator.

Administration, administrative receivership and floating charges

As set out above, the Insolvency Act empowers the English courts to make an administration order in respect of an English company in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge granted by the company and which has become enforceable, and different procedures apply according to the identity of the appointer.

The holder of a qualifying floating charge granted by an English company (which has become enforceable) may also, in limited circumstances, be entitled to appoint an administrative receiver. In order to empower the chargee to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant English Obligor must constitute a "qualifying floating charge" for the purposes of English insolvency law and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document pre dates September 15, 2003, fall within one of the exceptions in the Insolvency Act to the prohibition on the appointment of administrative receivers. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act). This will apply if an English Obligor incurs a debt of at least £50,000,000 during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the Insolvency Act, but is generally a rated, listed or traded debt instrument as well as fulfilling certain other technical requirements). If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying floating charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is capable of challenge as a transaction at an undervalue, a preference or an invalid floating charge. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of any part of the company's property must resign if required to do so by the administrator.

In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that paragraph 14 of Schedule B1 to the Insolvency Act applies to it, (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29 of the Insolvency Act. The chargee will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with any fixed charge security interests, relates to the whole or substantially the whole of the relevant English Obligor's property and at least one such security interest is a qualifying floating charge. Please note that carve-outs in the security document which apply to the floating charge may, on their own, or cumulatively with other carve-outs, impact the analysis of whether the 'whole or substantially the whole of the property' is covered by the charge and therefore whether the chargee is a "holder of a qualifying floating charge in respect of a company's property." Whether the assets that are subject to the floating charges and other security will constitute the whole or substantially the whole of the company's assets at the time that the floating charges are enforced will be a question of fact at that time and there is no statutory guidance as to what percentage of a company's assets should be charged to satisfy this test.

An administrator, receiver (including administrative receiver) or liquidator of the company will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (the "**Prescribed Part**"). This applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, and the Prescribed Part is subject to a maximum aggregate cap of £800,000 (such cap being effected by the Insolvency Act 1986 (Prescribed Part) (Amendment) Order 2020) (except where the company's net property is available to be distributed to the holder of a first-ranking floating charge created before April 6, 2020, in which case the maximum aggregate cap is £600,000). The Prescribed Part must be made and distributed to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefits (and, if the floating charge realizations exceed £10,000, the court may grant an order on the application of the insolvency officeholder on this basis). The Prescribed Part will not be available for any shortfall claims of secured creditors.

The requirement for an administrator, liquidator or receiver (including administrative receiver) to set aside a prescribed part of the company's property which is subject to a floating charge, and make it available for unsecured creditors, will not apply to any charge created or otherwise arising under a financial collateral arrangement (as described in the Financial Collateral Regulations), as set out below.

Fixed charge receivership

A fixed charge receiver (as opposed to an administrative receiver, who is appointed under certain floating charges, see "—*Administration, administrative receivership and floating charges*" above) may be appointed over some or all of the assets secured by a fixed charge in accordance with the terms of a security document creating a fixed charge or (in limited circumstances) pursuant to section 101 of the Law of Property Act 1925.

If appointed under the terms of a security agreement, grounds for appointment under the terms of the charge (such as a default) must exist and the charging company must have failed to satisfy the demand made for an appointment to take place. A fixed charge receiver can be appointed in parallel to a liquidator. An administrator may require a fixed charge receiver to vacate office unless that fixed charge receiver was appointed under a charge that falls within the definition of a "security financial collateral arrangement," as per Reg. 8(4) of the Financial Collateral Regulations.

The primary duty of the fixed charge receiver is to realize the assets over which they are appointed, meaning they owe an over-riding duty of care to the appointor. This contrasts with the duty of an administrator, who performs their duties in the interests of a company's creditors as a whole. In other words, receivership is a proprietary remedy whereas administration is a collective procedure. In realizing the charged assets, the receiver will need to take reasonable care to obtain the best price obtainable in the circumstances. In doing so, the fixed charge receiver will be entitled to a statutory indemnity in respect of any liabilities from the realizations made of the assets of the company (and may also have the benefit of a contractual indemnity from the appointor).

To the extent the receiver has been appointed under a crystallized floating charge, amounts will be deducted from the proceeds of the realization of the charged assets to pay the Prescribed Part and any preferential creditors (see "—*Priority on insolvency*").

Fixed and floating charges

There are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an administrator appointed to a charging company can convert floating charge assets to cash by selling those assets and, where the floating charge is not created or does not otherwise arise under a security financial collateral arrangement, use such cash, or use cash subject to a floating charge, to meet those costs and expenses that are properly incurred during the course of the administration (which include the administrator's remuneration and can include the costs of continuing to operate the charging company's business while in administration) in priority to the claims of the floating charge holder (although the costs of realization of fixed charge assets are often also deducted from the proceeds of realization of those assets with the consent of the fixed charge holder); (b) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets (provided the floating charge had not crystallized at the time the fixed charge was granted and the fixed charge holder had no notice of any restrictions upon the creation of their security); (c) provided that the floating charge is not created or does not otherwise arise under a security financial collateral arrangement, general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to the claims of the floating charge holder; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge; (e) floating charge security may be subject to certain challenges under English insolvency law (see "*—Avoidance of transactions—Grant of floating charge*"); (f) where the floating charge is not created or does not otherwise arise under a security financial collateral arrangement, floating charge security is (i) subject to the expenses of the insolvent estate, (ii) subject to the claims of certain preferential creditors (such as employee, salary claims (up to a cap per employee), employee holiday claims, certain unpaid pension contributions, and VAT and other certain tax debts due to HMRC) and (iii) as noted above, subject to the ring-fencing of the Prescribed Part (as defined herein) for unsecured creditors; and (g) an administrator may dispose of or take action relating to property subject to a floating charge without the prior consent of the charge holder or court approval but the floating charge holder retains the same priority in respect of the proceeds from the disposal of the assets subject to the floating charge. With prior approval of the court, an administrator may deal with property subject to a fixed charge, provided that disposing of the property is likely to promote the administration's purpose and that the administrator applies the net proceeds from the disposal of the property in question, together with any additional money required to be added to the net proceeds so as to produce the amount determined by the court as the net amount which would be realized on a sale of the property at market value, towards discharging the obligations of the company to the charge holder.

Under English law there is a possibility that a court could re-characterize fixed security interests purported to be created by an English law governed security document as properly taking effect as floating charges; as the description given to security interests by the parties is not determinative. Whether security interests purporting to be fixed security interests will be upheld as fixed security interests rather than floating security interests will depend on, amongst other things, whether the chargee has the requisite degree of control over the relevant chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the assets that are the subject of a purported fixed security interest in its discretion and without the consent of the chargee in the ordinary course, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents.

If any fixed security interests are re-characterized as floating security interests, the proceeds of those assets could be applied in meeting other liabilities of the company in priority to the claims of the purported fixed charge holder in insolvency proceedings.

Scheme of arrangement

Although not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006 ("**CA06**"), the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise or arrangement between a company and its creditors and/or its members (or any class of its creditors and/or members) in respect of the company's obligations to those creditors. An English Obligor may be able to pursue a scheme in respect of its financial liabilities. In addition, a foreign obligor which (a) is liable to be wound up under the Insolvency Act and (b) has a "sufficient connection" to England and Wales could also pursue a scheme. In practice, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, amongst other things, the company's COMI is in England, the company's finance documents include (whether at the outset or following an amendment in accordance with the terms of the documents) an English governing law and/or jurisdiction clause. Further, a number of recent schemes have involved groups causing an existing or newly incorporated English company to assume primary liability (through various means) for financial obligations of the group for the sole purpose of creating the requisite nexus to pursue a scheme (in which the obligations of the existing obligors could be varied). Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not the relevant jurisdictional requirements would be satisfied in the present case.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the existing rights of such creditors against the scheme company and any new rights that such creditors are given under or in connection with the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favor of the proposed scheme, irrespective of the terms and approval thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court and delivery of the court's sanction order to the Registrar of Companies) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review, amongst other things, whether all relevant procedural requirements have been met, whether those voting fairly represented the interests of those entitled to vote, and whether the scheme is objectively reasonable. The court has discretion as to whether to sanction the scheme as approved by the creditors (and/or members, as appropriate), make an order conditional upon modifications being made or refuse to sanction the scheme. The court's sanction order will have no effect until delivered to the Registrar of Companies (in the case of UK companies, for the purpose of registration). Once sanctioned, the scheme of arrangement binds all affected stakeholders. A scheme of arrangement can often involve the release or variation of guarantees and other closely connected claims against third-parties in order to ensure the effectiveness of the compromise.

Unlike an administration proceeding, the commencement of a scheme of arrangement does not automatically trigger a moratorium with respect to security enforcement or legal proceedings. A company may propose a scheme of arrangement whilst subject to a Part A1 moratorium (see "—*Corporate Insolvency and Governance Act 2020*").

Company voluntary arrangement

English courts are empowered to oversee company voluntary arrangements in respect of companies incorporated in England, Wales, Scotland or an EEA State or with their respective COMI in the United Kingdom or a Member State (other than Denmark).

Pursuant to Part I of the Insolvency Act, a company (by its directors or its administrator or liquidator, as applicable) may propose a company voluntary arrangement to the company's shareholders and creditors which entails a compromise, or other arrangement, between the company and its creditors, typically a rescheduling or reduction of the company's debts. Provided that the proposal is approved by the requisite majority of creditors (by way of decision procedure) and shareholders (subject to the below), it will bind all unsecured creditors who were or would have been entitled to vote on the proposal. A company voluntary arrangement cannot affect the right of a secured creditor to enforce its security, except with its consent. A company voluntary arrangement also cannot affect the rights of a preferential creditor to be paid in priority to non-preferential creditors, or to be paid on an unequal basis relative to other preferential creditors, except with its consent.

In order for the company voluntary arrangement proposal to be passed, it must be approved by at least 75% (by value) of the company's creditors who respond in the decision procedure, and no more than 50% (by value) of unconnected creditors may vote against it. Secured debt cannot be voted on in a company voluntary arrangement but a secured creditor may vote to the extent that it is undersecured. A secured creditor who votes in the company voluntary arrangement for the whole of its debt may be deemed to have given up its security. A company voluntary arrangement also requires the approval of more than 50% in value of the company's members present in person or by proxy and voting at a meeting on the resolution to approve the company voluntary arrangement. However, if the outcome of the meeting of members differs from the outcome of the meeting of creditors, the decision of the creditors will prevail. Like creditors, members have the right to apply to court to challenge the approval of a company voluntary arrangement in certain circumstances.

Unlike an administration proceeding, a company voluntary arrangement does not automatically trigger a moratorium with respect to security enforcement or legal proceedings.

Filings

The prescribed particulars in respect of a security document under which an English company purports to create security, together with a certified copy of the security document, should be delivered to the Registrar of Companies within 21 days after the date of creation of the security in accordance with Chapter A1 of Part 25 of CA06.

While CA06 does not impose an obligation as such on English companies to register security created on or after April 6, 2013, security will be deemed to be void against a liquidator, administrator and any creditor of the applicable charging company if not registered within the 21-day period. When security becomes so void, the debt which was intended to be secured by such security is deemed to become immediately payable. In limited circumstances, it may be possible to apply to the English courts for an order to rectify a failure to register and allow the relevant charge to be registered after the 21-day period has expired.

The application of the abovementioned Chapter to a security interest is subject to the application of the Financial Collateral Regulations. In addition, the following categories of charge are not registrable under the above Chapter (as set out in section 859A(6) of CA06): (i) a charge in favor of a landlord on a cash deposit given as a security in connection with the lease of land; (ii) a charge created by a member of Lloyd's (within the meaning of the Lloyd's Act 1982) to secure its obligations in connection with its underwriting business at Lloyd's; and (iii) a charge excluded from the application of section 859A of CA06 by or under any other Act (such as charges that are exempted from registration under the Banking Act 2009). Registration may also determine the order of priority of registrable security interests and may provide notice of a pre-existing security interest for the purpose of priorities.

Security created on or after October 1, 2011 by overseas companies over assets in England and Wales does not need to be registered with the Registrar of Companies. Registration with applicable asset registries may, however, still be required depending on the nature of the collateral assets.

Enforcement

Enforcement of security and guarantees may be affected by general legal and equitable principles regarding the legality, validity and enforceability of contractual provisions and contractual obligations and liabilities (including guarantees and security).

Assignments

Any assignment of a debt or other chose in action, including by way of security, can only take effect as a legal assignment under section 136 of the Law of Property Act 1925 if it meets the requirements of that provision, which are: (i) the assignment must be in writing under the hand of the assignor; (ii) the assignment must be absolute and not purporting to be by way of charge only; and (iii) notice of the assignment must be given to the underlying obligor. If any of these requirements is not satisfied, the assignment may still constitute a valid equitable assignment. Equitable assignments, including by way of security, are subject to certain limitations, including, without limitation: (i) where an equitable interest is followed by a legal interest, the subsequent legal interest will take priority if the holder acquired it for value without notice of the equitable interest; and (ii) the priority of dealings in most equitable interests is determined by the time at which notice of such interest is given to the underlying obligor or to the person in control of that equitable interest. The first to give notice will take priority, if that person does not have actual or constructive notice of the prior interest and has given consideration for his or her interest.

PSC regime

Pursuant to Part 21A of CA06 (and related Schedules 1A and 1B to CA06), certain English companies and limited liability partnerships (for the purposes of this paragraph, each a relevant company) must keep a register of certain registrable individuals and legal entities that have significant control over them. Failure of such registrable individuals or legal entities or other persons specified in Part 21A of (and Schedule 1B to) CA06 (for the purposes of this paragraph, each a notifying party) to comply with the requirements of that Part may give relevant companies the right to issue a restrictions notice to such notifying party for the purposes of Schedule 1B to CA06. Subject to certain exceptions, the effect of a restrictions notice is that in respect of any relevant interest in the relevant company (as defined in Schedule 1B to CA06, for example, a share in the relevant company): (i) any transfer of (or agreement to transfer) the interest is void; (ii) no rights are exercisable in respect of the interest; (iii) no shares may be issued in right of the interest or in pursuance of an offer made to the interest-holder; and (iv) except in a liquidation, no payment may be made of sums due from the relevant company in respect of the interest, whether in respect of capital or otherwise. Such restrictions (or any failure to comply with the relevant requirements) could adversely affect the validity of any security interests that are granted in respect of shares and the ability of the Security Agent to enforce its rights under the English security documents in respect of any charged shares.

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 and (if applicable) members in the statutory order of priority prescribed by the Insolvency Act (see "—*Priority on insolvency*"). Once the liquidator has completed this task, the company is dissolved and removed from the Registrar of Companies. There are two forms of winding-up: (a) compulsory liquidation, by order of the court; and (b) voluntary liquidation, whether members' voluntary liquidation or creditors' voluntary liquidation, in each case by resolution of the company's members (save where it follows an administration). The key difference between the two types of voluntary liquidation is whether the directors of the company are willing to swear a statutory declaration as to the company's solvency over the following 12 months (if so, the process is a members' voluntary liquidation). The primary ground for the compulsory winding-up of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the Insolvency Act). Note that while a creditors' voluntary liquidation (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, once in place the process is subject to some degree of control by the creditors. The English court has jurisdiction to wind up a company through compulsory liquidation if it is a company registered in England and Wales or, if it is a foreign company (i) with its COMI in England and Wales, or (ii) with its COMI in an Member State (other than Denmark) and an "establishment" in England and Wales, or (iii) in the case of an unregistered foreign company, if: (a) it has enough of a "sufficient connection" with England and Wales to justify the English court exercising its jurisdiction may be wound up through compulsory liquidation, (b) there is a reasonable possibility, if a winding-up order is made, of benefit to those applying for the winding-up order, and (c) one or more persons interested in the distribution of assets of the company is a person over whom the English court can exercise a jurisdiction.

Only English companies may be subject to voluntary liquidation (save that a foreign company where its COMI is in England and Wales or in a Member State (except Denmark) but which has an "establishment" in England and Wales may enter a creditors' voluntary liquidation).

The effect of a compulsory winding-up differs in a number of respects from that of a voluntary winding-up. The winding-up is deemed to have commenced on the date that the initial winding-up petition was served, as opposed to the later date that the winding-up order is issued. In a compulsory winding-up, under Section 127 of the Insolvency Act, any disposition of the relevant company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. However, this will not apply to any property or security interest subject to a disposition or created or otherwise arising under a "financial collateral arrangement" under the Financial Collateral Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced at the time of the presentation of the winding-up petition.

Once the winding-up order is made by the court, a stay of all proceedings against the company will also be imposed. No legal action may be continued or commenced against the company without permission of the court although there is no freeze on the enforcement of security.

In the context of a voluntary winding-up, there is no equivalent to the retrospective effect of a winding-up order; the winding-up commences on the passing of the members' resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary winding-up, it is for the liquidator, or any creditor or contributory of the company, to apply for a stay. This is important because, if a stay is not obtained, it means creditors, for example, can go ahead and initiate proceedings against the company (and/or enforce their security).

A liquidator has the power to bring or defend legal proceedings on behalf of the company, to carry on the business of the company as far as it is necessary for its beneficial winding up, to sell the company's property and execute documents in the name of the company and to challenge antecedent transactions.

Under English insolvency law, a liquidator has the power to disclaim any onerous property, which encapsulates any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to its creditors. However, this power does not apply to a contract that has already been substantially performed, nor can it be used to disturb accrued rights and liabilities. In addition, the power to disclaim onerous property does not apply to any financial collateral arrangement where the collateral provider or collateral taker under the arrangement is subject to winding-up proceedings. Any person who suffers loss or damage as a result of any disclaimer is deemed to be a creditor of the company and is entitled to prove for the loss or damage as a debt in the winding-up.

Priority on insolvency

One of the primary functions of winding-up (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the company in question and distribute the proceeds from those assets to the company's creditors.

In accordance with the Insolvency Act and the Insolvency Rules 2016, creditors are placed into different classes, with the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the Prescribed Part (as defined herein), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior-ranking class have been paid in full. Unless creditors of the same class have agreed otherwise between themselves and with the company, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

As an exception to the principle of *pari passu* distribution, insolvency set-off, which sees an account being taken of what is due from each party to the other in respect of their mutual dealings, and whereby only any net balance owed by the company is provable in the administration or liquidation, will apply in a liquidation or distributing administration. Insolvency set-off is mandatory and automatic as of the date of liquidation or the date on which the administrator has given notice that they intend to make a distribution to creditors. The effect of insolvency set-off is effectively to afford the creditor with a potential super priority status to the extent of the amount owed by that creditor to the company, in that it receives full value for an equivalent amount of its claim against the company (in circumstances where it might otherwise, as an unsecured creditor, receive little or no dividend in respect of that element of its claim). However, insolvency set-off will not apply to all amounts owing between the creditor and debtor company; amongst other things, claims arising after a certain cut-off date will be excluded and the requisite degree of mutuality must exist. Parties cannot waive the application of, or alter the scope or operation of, insolvency set-off by contractual agreement (insolvency set-off will displace all other rights of set-off, including contractual set-off, which have not been exercised before the time at which insolvency set-off applies).

The general priority on insolvency is as follows (in descending order of priority):

- First ranking: holders of fixed charge security (but only to the extent that the value of the secured assets is less than or equal to the value of the secured debt) and creditors with a proprietary interest in assets in the possession (but not full legal and beneficial ownership) of the debtor with respect to the assets in which they have a proprietary interest only;

- Second ranking: where a company exits a moratorium under Part A1 of the Insolvency Act and within the subsequent 12 weeks enters into administration or liquidation, any unpaid moratorium debts (any debt or liability that falls due during or after the moratorium by reason of an obligation incurred during it) and any priority pre-moratorium debts (largely comprising pre-moratorium debts for which the company did not have a payment holiday, save for financial debt accelerated during the moratorium), as well as any prescribed fees or expenses of the official receiver acting in any capacity in relation to the company. The relevant types of debt do not rank equally and there are statutory provisions setting out the order of priority in which they are paid;

- Third ranking: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);

- Fourth ranking: ordinary and secondary preferential creditors.

Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (a) contributions to occupational and state pension schemes; (b) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; (c) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the date of insolvency; and (d) bank and building society deposits eligible for compensation under the Financial Services Compensation Scheme (the "**FSCS**") up to the statutory limit. As between one another, ordinary preferential debts rank equally.

Secondary preferential debts rank for payment after the discharge of the ordinary preferential debts and include: (a) bank and building society deposits eligible for compensation under the FSCS to the extent that such claims exceed the statutory limit; and (b) VAT and certain other tax debts due to HMRC as set out in section 386 and paragraph 15D of Schedule 6 to the Insolvency Act. As between one another, secondary preferential debts rank equally;

- Fifth ranking: provable debts of unsecured creditors to the extent of the Prescribed Part (as defined herein) only, unless the cost of distributing the same would be disproportionate to the resulting benefit to creditors;

- Sixth ranking: holders of floating charge security (to the extent of the realizations from the floating charge assets), according to the priority of their security. This would include any security interest that was stated to be a fixed charge in the document that created it but which, on proper interpretation by the court, was re-characterized as a floating charge;

- Seventh ranking:

    - firstly, provable debts of unsecured creditors and (to the extent of any unsecured shortfall) secured creditors, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realizations from unsecured assets as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors or the secured creditor elects to surrender its security;

    - secondly, interest on the company's unsubordinated debts (at the higher of the applicable contractual rate and the rate determined in accordance with the Judgments Act 1838 (currently 8% per annum)) in respect of any period after the commencement of liquidation or after the commencement of an administration which has been converted into a distributing administration. However, in the case of interest accruing on amounts due under the Exchange Notes or the Note Guarantees, such interest due to the holders of the Exchange Notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries; and

    - thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid. This, however, does not include "currency conversion" claims following English Supreme Court's ruling dated May 17, 2017 on the Lehman Brothers case; and

    - Eighth ranking: shareholders. If, after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation.

See "*—Administration, administrative receivership and floating charges*" above for a description of the Prescribed Part.

Avoidance of transactions

There are circumstances under English insolvency law in which the granting by an English company of security or guarantees (amongst other corporate actions) can be challenged. In most cases this will only arise if the company enters administration or liquidation within a specified period (as set out in more detail below) after the relevant act. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, he or she may challenge the validity of the guarantee or security given by such company, or certain transactions entered into by the company. Further, the administrator or liquidator may elect to assign such a right of action (including their proceeds) to another party who would then be entitled to pursue it.

Onset of insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges, depends on the insolvency procedure in question. In administration, the onset of insolvency is the date on which (a) the court application for an administration order is made, (b) the notice of intention to appoint an administrator is filed at court, or (c) otherwise, the date on which the appointment of an administrator takes effect. In a compulsory liquidation, the onset of insolvency is the date on which the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date on which the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency for the purposes of transactions at an undervalue and preferences will be as for the initial administration.

Connected Persons

A connected person, for the purposes of transactions at an undervalue, preferences and invalid floating charges, is a party who is a director, shadow director, an associate of such director or shadow director, or an associate, of the relevant company. A party is associated with an individual if they are (a) the individual's husband, wife or civil partner, (b) a relative of (i) the individual or (ii) the individual's husband, wife or civil partner, or (c) the husband, wife or civil partner of a relative of (i) the individual or (ii) the individual's husband, wife or civil partner. A party is associated with a company if employed by that company. A person is an associate of any person with whom he is in partnership, and of the husband, wife or civil partner or a relative of any individual with whom he is in partnership.

A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

A person is to be taken as having control of a company if the directors of the company or of another company which has control of it (or any of them) are accustomed to act in accordance with his directions or instructions, or he is entitled to exercise, or control the exercise of, one third or more of the voting power at any general meeting of the company or of another company which has control of it. Where two or more persons together satisfy either of these conditions, they are to be taken as having control of the company.

The following potential grounds for challenge may apply under English law to guarantees and security interests:

Transaction at an undervalue

Under English insolvency law, a liquidator or administrator of an English company (or an assignee of the relevant right of action) could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) if they believe that the creation of such security interest or guarantee constituted a transaction at an undervalue. A transaction might be a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company.

Such a transaction can only be challenged on this basis if (i) at the time of the transaction or as a consequence of the transaction, the English company was or becomes unable to pay its debts (as defined in the Insolvency Act) and (ii) if the security interest or the guarantee was granted within the period of two years ending with the onset of insolvency.

In any proceedings, it is for the administrator or liquidator (or the assignee of the right of action) to demonstrate that the English company was unable to pay its debts unless the transaction was entered into by the company with a connected person (as defined in the Insolvency Act), in which case it will be presumed that the company was insolvent and the connected person must demonstrate the contrary in such proceedings.

In any case, a court will not make an order if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it.

If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been if the transaction had not been entered into (which could include reducing payments under the guarantee or setting aside any security interests granted or guarantees, although there is protection for a third party that benefits from the transaction and has acted in good faith and for value). An order by the court in relation to a transaction at an undervalue may affect the property of, or impose any obligation on, any person whether or not they are the person with whom the company entered into the transaction, but such an order will not prejudice any interest in property which was acquired from a person other than the English company in good faith and for value, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the transaction in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the person was a party to the transaction.

Preference

Under English insolvency law, a liquidator or administrator of an English company (or an assignee of the relevant right of action) could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) if they believe that the creation of such security interest or such guarantee constituted a preference.

A transaction will constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position in the event of the company going into insolvent liquidation than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into.

Such a transaction can only be challenged on this basis if (i) at the time of the transaction or as a consequence of the transaction, the English company was or becomes unable to pay its debts (as defined in the Insolvency Act) and (ii) if the security interest or guarantee was granted within the period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) ending with the onset of insolvency.

If the court determines that the transaction constituted such a preference, the court may make such order as it thinks fit for restoring the position to what it would have been if that preference had not been given (which could include reducing payments under the guarantees or setting aside the security interests or guarantees), subject to the same principles as are described above with respect to transactions at an undervalue). However, the court will only make such an order if it is shown that, in deciding to give the preference, the English company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator (or the assignee of the right of action) to demonstrate that the English company was unable to pay its debts at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the transaction was entered into by the company with a connected person (as defined in the Insolvency Act), in which case it will be presumed that the company was insolvent and that it was influenced by a desire to produce the preferential effect, and the connected person must demonstrate in such proceedings that there was no such influence (it is not open to the connected person to rebut the presumption of insolvency).

Transaction defrauding creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue (as outlined above) and was made for the substantial purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of such a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. An application to the court for an order to set aside the transaction may be made by any appointed administrator or liquidator, the supervisor of any relevant company voluntary arrangement or, subject to certain conditions, the UK Financial Conduct Authority, the UK Prudential Regulation Authority and the UK Pensions Regulator. In addition, any person who is, or who is capable of being, prejudiced by the transaction may (with the leave of the court in the case of a company in administration or liquidation) also bring an application to set aside such transaction. The Insolvency Act also does not prescribe a set time limit within which to bring the action and the relevant company does not need to be insolvent at the time of or as a result of the transaction, or in administration or liquidation for the provision to apply.

If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction, which may include reducing payments due under the Exchange Notes or setting aside security interests or guarantees. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he or she is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances and will not require a person who received a benefit from the transaction in good faith, for value and without notice of the relevant circumstances, to pay any sum unless such person was a party to the transaction.

Extortionate credit transaction

An administrator or a liquidator of an English company (or an assignee of the relevant right of action) can apply to court to set aside an extortionate credit transaction. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Where an administrator or liquidator (or their assignee) makes an application to set aside a transaction on this basis, it is presumed that the transaction is or was extortionate unless otherwise proved. A transaction can only be challenged as an extortionate credit transaction if the company enters into liquidation or administration within three years after the date of the transaction. The court may make an order to set aside, either in whole or in part, any obligation created by the transaction (which could include obligations of sureties). It may also vary the terms of the transaction or the terms of any security for the purposes of the transaction. The court may require any party to the transaction to repay to the liquidator or administrator (or their assignee) sums already paid under the transaction and it may order the surrender of any security held for the purpose of the transaction. It should be noted that there are no provisions for the protection of third-parties who acquire interests in the extortionate credit transaction (e.g., assignees of the benefit of the transaction from the person who provided credit under it).

Grant of floating charge

Under English insolvency law, if (i) a floating charge is granted by an English company within the period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) ending with the onset of insolvency and (ii) at the time of granting the floating charge or as a consequence thereof, the English company was or becomes unable to pay its debts (as defined in the Insolvency Act), then such floating charge will be invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge (plus certain interest) (the "**Consideration**"). The requirement for the English Obligor to be insolvent at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person.

No application to court by an administrator or liquidator (or any other person) is required to invalidate (in part or in full) the relevant floating charge; any floating charge created during the relevant time period is automatically invalid, except to the extent of the value of the Consideration.

However, if the floating charge qualifies as a "security financial collateral arrangement" under the Financial Collateral Regulations, the floating charge will not be invalidated on this basis.

As referred to above (see "—*Fixed and floating charges*"), note the risk of a fixed charge being recharacterized as a floating charge. If purported fixed charge security that is subsequently recharacterized has been granted within the relevant suspect period referred to above, this could render the charge invalid except to the value of the Consideration provided.

Financial Collateral Arrangements (No. 2) Regulations 2003

The Financial Collateral Regulations, apply in respect of certain security interests granted over, and certain title transfer arrangements in, "financial collateral" (together, "**financial collateral arrangements**"). Financial collateral is defined in the Financial Collateral Regulations as cash, financial instruments or credit claims. The definition of "financial instruments" includes shares in companies and debt instruments such as bonds and claims under loans made by credit institutions. The original primary purpose of the Financial Collateral Regulations was to implement Directive 2002/47/EC of the European Parliament and of the Council of June 6, 2002 on financial collateral arrangements (OJ 2002 L168/43) in the United Kingdom. The purpose of that directive was to simplify the process of taking financial collateral across the EU by introducing a minimum uniform legal framework.

If an arrangement qualifies as a financial collateral arrangement under the Financial Collateral Regulations, certain modifications or exclusions to English insolvency law apply which (amongst other things) remove restrictions on enforcing security, disapply certain provisions relating to the order of payment of creditors in administration or liquidation and prohibit avoidance by the insolvency office holder of the financial collateral arrangement in certain situations. For example, security interests to which the Financial Collateral Regulations apply are not required to be registered as a registrable charge at Companies House, and are not subject to the statutory moratorium on enforcement of security that would otherwise apply when a company enters into administration. Furthermore, the Financial Collateral Regulations enable the creditor holding the security interest to appropriate (i.e., to become the absolute legal owner of) the financial collateral to which the security interest applies without the need for a court order provided the security interests have become enforceable in accordance with their terms and provided the creditor has been granted the power to appropriate in the relevant contract.

Corporate Insolvency and Governance Act 2020

On June 26, 2020, the Corporate Insolvency and Governance Act 2020 ("**CIGA 2020**") enacted fundamental reforms to the United Kingdom's existing insolvency and companies legislation. Some of these measures had been proposed in August 2018 but were fast-tracked through the UK legislative process in response to the COVID-19 pandemic. The measures include (but are not limited to) the following:

(a) *Moratorium*

CIGA 2020 introduced a new standalone moratorium under Part A1 of the Insolvency Act to provide companies with a short period of breathing space within which to seek rescue options.

Subject to certain exclusions and meeting requisite conditions, any company that is liable to be wound up under the Insolvency Act is eligible for a moratorium. Ineligible companies include certain financial services companies (including banks, investment banks, insurance and securitization companies as well as parties to capital market arrangements under which a party has incurred or expects to incur a debt of at least £10 million (at any time during the life of the arrangement), including issuers of rated, listed or traded bonds). Ineligible companies also include any company that is subject to an insolvency procedure or which has entered into a moratorium, administration or company voluntary arrangement in the preceding twelve months (unless the court orders otherwise). The Guarantors are likely to fall outside the scope of being "eligible companies" for the purposes of the Part A1 moratorium by virtue of the capital markets exclusion. However, the Secretary of State for Trade and Industry may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible. The position as to whether or not a company is an "eligible company" may also change from time to time.

Subject to what follows, directors of any eligible non-overseas company may commence a moratorium by filing the requisite papers at court. Directors must apply to court to commence a moratorium for any eligible company that is subject to a winding-up petition, whereupon the court will consider whether a moratorium will result in a better outcome for creditors as a whole than if the company were wound up without one. Directors of any eligible overseas company must also apply to the court to commence a moratorium.

Both in- and out-of-court processes require a statement from the directors of the company that, in their view, the company is, or is likely to become, unable to pay its debts. Furthermore, a monitor, who is an insolvency practitioner appointed to oversee the moratorium, must separately confirm (among other things) that the moratorium would likely result in the rescue of the company as a going concern. This is an ongoing requirement in order for a moratorium to continue; indeed, a monitor must terminate the moratorium if, at any time, it becomes apparent that the company is unlikely to be rescued as a going concern.

A company subject to a moratorium has the benefit of a payment holiday in relation to certain debts incurred prior to the commencement of the moratorium. However, certain other debts, including those which arise under a contract or other instrument involving financial services (which would include capital market arrangements) entered into or incurred prior to the moratorium, are exempted from payment holidays and such liabilities are therefore required to be met as and when they fall due. If the monitor thinks that the company is unable to pay such liabilities, plus any debt incurred during the moratorium, which arise or become payable during the moratorium he or she will be compelled to end the moratorium.

During a moratorium, creditors are restricted from taking enforcement measures against the company, including commencing insolvency and other legal proceedings and enforcing security without the permission of the monitor or the court (and an application to court for such permission may not be made for the purpose of enforcing any pre-moratorium debt for which the company has a payment holiday). CIGA 2020 includes a carve-out for enforcement of security financial collateral (see "*—Administration*," "*—Administration, administrative receivership and floating charges*," "*—Avoidance of transactions—Grant of floating charge*" and "*—Financial Collateral Arrangements (No. 2) Regulations 2003*" above) or the taking of any step to enforce a collateral security charge, which are permitted. In contrast to a moratorium arising from an administration, a floating charge may not be crystallized during this new moratorium, nor may any restrictions on the disposal of a floating charge asset be imposed.

Costs incurred during a moratorium will be treated in a similar way to expenses in an administration. Where a company exits a moratorium and subsequently enters into administration or liquidation within a 12-week period, any unpaid moratorium debts and any priority pre-moratorium debts, as well as any prescribed fees or expenses of the official receiver acting in any capacity in relation to the company, will have super-priority over any costs or claims in the administration or liquidation (except for claims of fixed charge creditors to the extent such creditors can be paid out of the assets charged and any fees and expenses of the official receiver).

Although the directors remain in full control of the relevant company during the moratorium, the company's activities are subject to oversight by the monitor. In addition, the company may not enter into certain transactions without the consent of the monitor (which the monitor may only give if they think that the relevant transaction will support the rescue of the company as a going concern). These include granting new security, making payments in respect of pre-moratorium debts for which the company has a payment holiday (unless the maximum total amount paid to a person does not exceed the greater of £5,000 or 1% of the company's total unsecured debts at the start of the moratorium), and disposals of property outside the ordinary course.

A moratorium will last for an initial period of 20 business days beginning with the business day after the day on which the moratorium comes into force, which may be extended for a further 20 business days by the directors of the company. Where an extension is proposed, statements from the directors and the monitor must be filed with the court confirming that certain qualifying conditions continue to be met (repetition by the directors and monitor of statements with respect to the insolvency of the company and prospects of rescue, respectively, and confirmation that all moratorium debts and pre-moratorium debts for which the company does not have a payment holiday have been paid or discharged). Further extensions (beyond 40 business days) will be available:

- pursuant to an out-of-court filing for a period of up to one year from commencement (but with the possibility of multiple extensions), if more than 50% (by value) of secured creditors and more than 50% (by value) of unsecured creditors vote in favor of the extension, unless more than 50% (by number) of unconnected secured creditors or unsecured creditors vote against the extension. Only creditors with pre-moratorium debt in respect of which the company has a payment holiday, which has fallen due or may fall due before the proposed revised end date of the moratorium, will have the right to vote;

- pursuant to an application by the directors to court for such period as the court sees fit;

- automatically in connection with a company voluntary arrangement until the proposal is implemented, accepted or rejected by creditors or withdrawn by the company; and

- at the court's discretion in connection with a scheme of arrangement or restructuring plan (but with the moratorium terminating upon court sanction of the scheme or plan).

(b) *Ipso Facto clauses prohibited*

CIGA 2020 introduced a permanent prohibition on the enforcement of certain termination clauses, and the imposition of certain amended terms, by a supplier in contracts for goods and services which would have been triggered by the commencement of insolvency proceedings against the counterparty company. Such proceedings include a company voluntary arrangement, winding-up and administration, as well as the new moratorium and restructuring plan. Other rights to terminate under the contract (i.e., other than by reason of the counterparty's insolvency) are preserved, save to the extent that the event entitling the supplier to terminate the contract arose before commencement of the insolvency proceeding (in which case the right to terminate is suspended until the relevant insolvency proceeding, or any immediately succeeding insolvency proceeding, comes to an end). A supplier cannot make it a condition of continued supply during the relevant insolvency proceeding that any outstanding charges in respect of prior supplies are paid. A supplier may be allowed to terminate the contract if the company or the relevant insolvency practitioner consents, or if the court permits (where it is satisfied that the continuation of the contract would cause the supplier hardship). Financial services contracts and entities involved in financial services (amongst other types of excluded contracts and parties) are not affected by this new prohibition.

(c) *Restructuring plan*

CIGA 2020 also provides for a new restructuring process, similar to a scheme of arrangement under CA06, but with a "cross-class cram-down" power that can be used to bind one or more dissenting classes of stakeholders (not only a dissenting minority within a class) to the proposed restructuring plan. Like a scheme, the new standalone restructuring plan is available to any company that is liable to be wound up under the Insolvency Act with a sufficient connection to the United Kingdom, save that the Secretary of State may by secondary legislation exclude certain types of company (including, in particular, financial market participants) from time to time. In most situations, the company itself will propose the restructuring plan but its members or creditors may also do so (as can an administrator or liquidator appointed to the company). The commencement of a restructuring plan does not automatically impose a moratorium on claims or proceedings against the company.

Unlike a scheme, there is a further threshold condition that the company must: (i) have encountered, or be likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern; and (ii) have proposed a compromise or arrangement with its creditors or members for the purpose of eliminating, reducing, preventing or mitigating such financial difficulties. Although the "financial difficulties" test falls short of requiring the company to be, or likely to become, insolvent (i.e., unable to pay its debts within the meaning of Section 123 of the Insolvency Act), recent case law indicates that restructuring plans (unlike schemes) will be considered as insolvency proceedings for the purposes of the Lugano Convention.

The process closely resembles that for schemes of arrangement, whereby a proposed restructuring plan must be filed at court as part of the proponent's application to convene a meeting of the relevant creditors and/or members (or classes thereof). At the convening hearing, the court will examine the proposed classes of stakeholders and whether it has jurisdiction to sanction the proposed restructuring plan. As with a scheme, it is for the proponent to determine whether the creditors and/or members should be divided into multiple classes, and the same class composition test applies. Creditors and members whose rights would be affected by the compromise or arrangement must be permitted to participate in a meeting to vote on the restructuring plan, unless the court is satisfied that they have no genuine economic interest in the company (which the court will determine by reference to the "relevant alternative," being whatever the court considers would be most likely to occur in relation to the company if the restructuring plan were not sanctioned). Equally, creditors whose rights are not being compromised under the restructuring plan can be excluded from voting. However, there must be legitimate commercial reasons for excluding them from the scope of the plan and full disclosure must be made. If the court is satisfied that it has jurisdiction, it will order a meeting of the relevant creditors and/or members (or classes thereof) to vote on the proposed restructuring plan. Details of such meeting(s) must be sent to every stakeholder in each class, accompanied by details of the plan and directors' material interests in the company.

The proposed restructuring plan will be voted on at the meeting(s) of the relevant creditors' and/or members (or classes thereof), and approved if the required majority of 75% by value of the creditors or members, or class of creditors or members, present and voting either in person or by proxy, vote in favor of it. In contrast to a scheme of arrangement, there is no requirement that a majority in number must also vote in favor of the plan. Where a convening application is made within 12 weeks after the end of the new standalone moratorium, any creditors in respect of "moratorium debts" and "priority pre-moratorium debts" may not participate in the vote and may not be compromised under the plan without their consent.

Following the meeting(s), a sanction hearing will be held. Here, the court will consider if the necessary plan requirements have been met and decide whether to sanction the restructuring plan. The court has discretion to sanction a plan even if the requisite majority of one or more classes of creditors or members did not vote in favor of it, thereby "cramming-down" dissenting classes, if:

(i) the court is satisfied that no member of the dissenting class(es) would be worse off if the restructuring plan were sanctioned than they would be in the "relevant alternative" (i.e., what the court considers to be the most likely alternative scenario were the plan not sanctioned); and

(ii) the restructuring plan has been approved by a number representing 75% by value of a class of creditors or members who would receive a payment, or have a genuine economic interest in the company, in the event of that "relevant alternative" scenario.

Nevertheless, even in circumstances where the conditions set out above are met, the court retains discretion to consider other factors in relation to whether a restructuring plan should be sanctioned. In considering whether to exercise its discretion, the court may take into account (among other things) the fairness of the plan, the treatment of different creditors and the division of benefits between them.

A restructuring plan sanctioned by the court will be binding on all affected parties, whether they voted in favor of it or not. The court's sanction order will have no effect until delivered to Companies House for registration (or, in the case of an overseas company not otherwise required to register particulars, published in the Gazette).

Foreign currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, the office-holder will convert all foreign currency denominated proofs of debt into pounds sterling at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing on the "relevant date" (generally speaking, being the date on which the company entered administration or liquidation). This provision overrides any agreement between the parties. If a creditor considers the rate to be unreasonable, they may apply to the court.

Accordingly, in the event that an English Obligor goes into liquidation or administration, holders of the Exchange Notes may be subject to exchange rate risk in respect of the non-sterling amount proved between the date on which such English Obligor goes into liquidation or administration and the date of receipt of any amounts to which such holders of the Exchange Notes may become entitled. The English Supreme Court's ruling in the Lehman Brothers case established that any such holder of the Exchange Notes would not be entitled to make a claim for any losses suffered by them as a result of a fall in the value of pounds sterling between the "relevant date" and the date of any distribution (see "*—Priority on insolvency*").

Foreign laws

If, and to the extent that, an asset subject to security under a security document (or the obligor of any debt or other right against any person, which debt or right constitutes all or part of the property or rights subject to that security) is located in any jurisdiction other than England and Wales or is not governed by English law, the validity, priority and enforceability of that security may be affected by any applicable foreign laws.

Third-party rights

Security granted over debts from, or other rights against, third-parties (including contracts and insurance policies) may be subject to any rights of those third-parties.

Amendments

An English court may interpret restrictively any provision purporting to allow the beneficiary of a guarantee or other suretyship to make a material amendment to the obligations to which the guarantee or suretyship relates without further reference to the guarantor or surety.

Security over shares

Security over shares granted by an English Obligor or over shares of the English Obligor are typically, under English law, equitable charges, not legal charges. An equitable charge arises where a chargor creates an encumbrance over the property in favor of the chargee but the chargor retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or may otherwise be at the discretion of the court.

The validity of share security and the ability of secured parties to enforce security interests over shares may additionally be affected by a failure of the charging company or related parties or (in certain circumstances) the secured parties to comply within the relevant timeframes with the disclosure and notification obligations under English company statutes in respect of persons with significant control over the relevant legal entities (see "*PSC regime*").

Security over bank accounts

With respect to any security over bank accounts (each an "**Account Charge**") granted by an English company, the banks with which those accounts are held (each an "**Account Bank**") may have reserved their right at any time to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with that English company. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's rights to exercise netting and set-off with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant English company) and the Account Bank has been formally notified of that fact, the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights unless the Account Bank has expressly reserved set-off rights in such circumstances.

Limitation on enforcement

The grant of a guarantee or security by an English company in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third-parties if they are dealing with an English company in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English company in question by virtue of entering into the proposed transaction. Section 172 of CA06 provides that a director must act in the way that he or she considers, in good faith, would be most likely to promote the success of the English company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found to be abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court. Section 172(3) of CA06 additionally provides that, in certain circumstances, the directors need to consider or act in the interests of the creditors of the company. While the statutory provisions do not prescribe when this shift arises, the Supreme Court has recently held that it takes place when the company in question is insolvent or bordering on insolvency, or when an insolvent liquidation or administration is probable.

Security and/or guarantees granted by an English Obligor may also be subject to potential limitations to the extent they would result in unlawful financial assistance contrary to English company law.

Cross-border recognition of English insolvency and restructuring proceedings

General position

The recognition of English insolvency and restructuring proceedings in other jurisdictions is governed by applicable treaties in respect of the mutual recognition (or otherwise) of courts' jurisdiction, proceedings and judgments and general principles of private international law such as comity and conflicts of laws rules applicable in the relevant jurisdictions.

One of the key insolvency-related treaties is the Model Law, which was implemented in the United Kingdom via the Cross-Border Insolvency Regulations. The Model Law provides for recognition of certain British insolvency proceedings in other signatory states as either foreign main proceedings (if the COMI of the relevant debtor is determined to be in Great Britain) or foreign non-main proceedings (if the COMI is determined to be in another jurisdiction but the debtor has an establishment in Great Britain) upon application by the relevant insolvency officeholder. The nature and scope of the recognition will depend on the way that the Model Law has been implemented into the domestic law of the jurisdiction in question. Conversely, the Cross-Border Insolvency Regulations provide for recognition in Great Britain of foreign insolvency proceedings as either main proceedings (if the proceedings are taking place in the jurisdiction where the debtor has its COMI) or non-main proceedings (if the proceedings are taking place in a jurisdiction in which the debtor has only an establishment).

The recognition of English courts' jurisdiction and orders in respect of schemes of arrangement, which are not regarded as insolvency proceedings, will be subject to treaties regarding matters relating to the jurisdiction of courts in civil proceedings and the enforcement of civil judgments such as the Hague Convention on Choice of Court Agreements 2005 (the "**Hague Convention**") and the Lugano Convention 2007 (the "**Lugano Convention**") (subject to the United Kingdom's pending application to accede to the latter) where these apply. In addition, recognition may still be available under principles of private international law and Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations ("**Rome I**").

The recognition of English courts' jurisdiction and orders in respect of restructuring plans is a developing area of law. It remains to be seen whether restructuring plans will fall within the scope of treaties regarding matters relating to the jurisdiction of courts in civil proceedings and the enforcement of civil judgments such as the Hague Convention and the Lugano Convention or whether they will be treated more akin to insolvency proceedings and fall within related exceptions to such treaties (case law to date in which this point has been considered adopted the latter position).

Recognition in the EU

Following the United Kingdom's departure from the EU and the expiry of the transition period, UK proceedings no longer benefit from automatic and guaranteed recognition in Member States. As the trade and cooperation terms agreed between the EU and the United Kingdom do not include a replacement regime for the current automatic recognition of UK insolvency procedures across the EU (and vice versa) or otherwise address insolvency matters, cross-border insolvencies involving the United Kingdom and one or more Member States will be subject to a degree of uncertainty and increased complexity.

Unless or until a mutual recognition agreement is reached in the future, it is likely to be more problematic for UK restructuring and insolvency proceedings to be recognized in Member States and for UK office holders to effectively deal with assets located in Member States. The general position outlined above will apply and recognition will depend on the private international law rules adopted in the relevant Member State and the need may well arise to open parallel proceedings, increasing the element of risk as well as costs. In particular in cases where the appointment of a UK office holder is made in reliance on a UK domestic approach rather than COMI rules, it is much less certain that such appointment will be recognized in other Member States. To the extent relevant proceedings are deemed to fall within the remit of contract law, Rome I may offer an alternative basis for recognition in Member States.

As a consequence, the recognition of English insolvency and restructuring proceedings across the Member States may be different from what investors may have experienced in the past when the United Kingdom was a Member State. It is not possible to predict with certainty if and to what extent proceedings will be recognized and whether investors may be adversely affected as a result.

Jersey

Insolvency

Arrow SMA GP Limited and Arrow Global SMA I L.P. (the "**Jersey Guarantors**") are incorporated and established under the laws of Jersey. Consequently, in the event of an insolvency of either of the Jersey Guarantors, insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: "*en désastre*" and winding up (including just and equitable winding up and creditors' winding up). The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey (the "**Royal Court**") under the Bankruptcy (*Désastre*) (Jersey) Law 1990, as amended (the "**Jersey Bankruptcy Law**") declaring the property of a debtor to be "*en désastre*" (a "**declaration**"). On a declaration of "*en désastre*," title and possession of the property of the debtor vests automatically in the Viscount, an official of the Royal Court (the "**Viscount**"). With effect from the date of declaration, a creditor has no other remedy against the property or person of the debtor, and may not commence or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the debt. With effect from the date of declaration, a secured party may, however, without the consent of the Viscount and without an order of the Royal Court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the Security Interests (Jersey) Law 2012 (the "**2012 Law**"). To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the property or person of the debtor, and may not commence any legal proceedings or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the balance of the debt.

There are two forms of "creditors' winding up" available in respect of a Jersey company pursuant to the Companies (Jersey) Law 1991, as amended (the "**Jersey Companies Law**"): (a) a court ordered procedure (a "**court ordered creditors' winding up**") which is instigated by an eligible creditor of the company making an application for an order of the Royal Court to commence a creditors' winding up; and (b) a voluntary procedure (a "**non-court ordered creditors' winding up**") which is instigated by a special resolution of the shareholders of the company.

On a non-court ordered creditors' winding up, a liquidator is nominated by the shareholders. The creditors may nominate a different liquidator. If a different liquidator is nominated by creditors, a director, member or creditor can apply to the court for an order that either the liquidator nominated by the shareholders be liquidator instead of or jointly with the liquidator nominated by the creditors or appointing a different liquidator.

On a court ordered creditors' winding up, the court may appoint a provisional liquidator any time after such application up until the making of the winding up order. At the hearing of the application, if a winding up order is made, the court may appoint a person nominated by the creditor or selected by the court to be liquidator. If a liquidator is appointed by the court, any creditor of the company may within seven days of the creditors' meeting apply to court for someone else to be appointed liquidator instead of the liquidator appointed by the court. In the case of a court ordered creditors' winding up, the liquidator (including any liquidator appointed provisionally) must, within seven days of their appointment, give known creditors notice calling a creditors' meeting to be held in Jersey 21 days' after the date of the relevant order of the Royal Court (or if that day is not a business day, the next business day thereafter) and, in the case of a non-court ordered creditors' winding up, the shareholders must give creditors 14 days' notice of the shareholders' meeting to commence the creditors' winding up, with a meeting of creditors to be held immediately following such commencement meeting. Any liquidator appointed provisionally will carry out such functions as conferred by, and may have their powers limited by, the Royal Court. Notice of the creditors' meeting must also be given in the Jersey Gazette no less than 10 days before the day for which the meeting has been called. Once the creditors' winding up has commenced, the liquidator will stand in the shoes of the directors of the company and administers the winding up, gathers assets, makes appropriate disposals of assets, settles claims and distributes assets as appropriate. After the appointment of a provisional liquidator or the commencement of the creditors' winding up (whether court-ordered or non-court ordered), no action can be taken or proceeded with against the company except with the leave of court.

Except in exceptional circumstances, a creditor who applies to wind up the company must give the company at least 48 hours' notice that the application is being made. After the commencement of the creditors' winding up, a secured party may, however, without the sanction of a liquidator and without an order of the Royal Court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the 2012 Law. To the extent that the proceeds of such enforcement are insufficient to fully discharge the liabilities owed, that secured party cannot bring any action against the company except with the consent of the Viscount or the Royal Court.

The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. Under the Jersey Companies Law, a creditor of a company (subject to appeal) is bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if, among other things, three quarters in number and value of the creditors acceded to such arrangement.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a non-court ordered creditors' winding up of an insolvent company, which is known as a "creditors' winding up" pursuant to Chapter 4 of Part 21 of the Jersey Companies Law. On a non-court ordered creditors' winding up, a liquidator is nominated by the shareholders. The creditors may approve such a liquidator or apply to appoint a different liquidator. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, make appropriate disposals of assets, settle claims and distribute assets as appropriate. After the commencement of the non-court ordered creditors' winding up, no action can be taken or continued against the company except with the leave of the Royal Court. The shareholders must give creditors 14 days' notice of the meeting to commence the non-court ordered creditors' winding-up. After the commencement of the non-court ordered creditors' winding up, a secured party may, however, without the sanction of a liquidator and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the 2012 Law. To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, the secured party has no other remedy against the company without leave of the Royal Court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved.

The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (among others) three quarters in number and value of the creditors acceded to the arrangement.

Compromises and arrangements with creditors

Although not an insolvency proceeding, under Article 125 of the Jersey Companies Law, the Royal Court may sanction a compromise or arrangement (a "**Scheme**") between a Jersey company and its creditors or shareholders (or a class of either of them). The Royal Court may, on application of the company (or a creditor or shareholder or, if the company is being wound up, a liquidator), order a meeting to be called at which the proposed Scheme must be agreed to by a majority in number representing:

- 75% in value of the creditors (or class of creditors); or

- 75% of the voting rights of the shareholders (or class of shareholders),

as the case may be, present and voting either in person or by proxy before the Royal Court considers the sanction of the Scheme. If the requisite majority of creditors or shareholders (or of the relevant class of either of them) agree to the Scheme and, following such agreement, the Royal Court sanctions the Scheme, the Scheme is binding on all creditors or shareholders (or on the relevant class of either of them) and on the company (or any liquidator and contributories of the company if the company is being wound up).

Transactions at an undervalue

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the Royal Court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up, a procedure which is instigated by shareholders not creditors), set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "**other party**") at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of "*en désastre*" during which transactions are susceptible to examination pursuant to this rule (the "**relevant time**"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

Preferences

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the Royal Court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the "**other party**"). There is a 12-month look-back period from the date of commencement of the winding up or declaration of "*en désastre*" during which transactions are susceptible to examination pursuant to this rule (the "**relevant time**"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company.

Extortionate transactions, onerous property, disclaimer and customary law fraudulent dispositions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the Royal Court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of "*en désastre*" and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. "Onerous property" is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the rights, interests and liabilities of the company/debtor in or in respect of the property disclaimed and discharges the company/Viscount from all liability in respect of the property as of the date of the commencement of the creditors' winding up/from the date of the declaration but shall not, except so far as is necessary for the purpose of releasing the company/debtor from liability, affect the rights or liabilities of any other person. A person sustaining loss or damage as a result of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the "*en désastre*" or creditors' winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a Pauline action) under which dispositions of assets with the intention of defeating creditors' claims may be set aside.

Enforcement of security and security in insolvency

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside Jersey, however:

- to the extent that any floating charge or other security interest governed by a non-Jersey law (a "**Foreign Law Security**") is expressed to apply to Jersey situated intangible movable property, Foreign Law Security is not likely to be held valid and enforceable by the Jersey courts in respect of such Jersey situs assets; and

- to the extent that any Foreign Law Security is expressed to apply as regards Jersey situated immovable property or Jersey situated tangible property, such Foreign Law Security would not be valid and enforceable as regards such Jersey situated immovable property or Jersey situated tangible property.

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Jersey courts may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

The Royal Court (in its inherent jurisdiction) may, however, under Article 49(1) of the Jersey Bankruptcy Law assist the courts of prescribed countries and territories and, applying general principles of comity, assist the courts in other jurisdictions, in all matters relating to the insolvency of any person to the extent that the Royal Court think fit. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If insolvency proceedings have been commenced in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime.

In the case of both statutory and non-statutory requests for assistance, it should be noted that the UNCITRAL provisions will not automatically be followed as this is a matter for the discretion of the Royal Court. The Royal Court's position may also not be in accordance with Regulation (EU) 2015/848 (the "**Recast Insolvency Regulation**"). Jersey does not form part of the EU for the purposes of implementation of its directions. Accordingly, the Recast Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of center of main interests does not apply.

Enforcement of a security interest against a Jersey company may be further limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors, and laws in relation to transactions at an undervalue, preferences, extortionate credit transactions, disclaimer of onerous property and fraudulent dispositions also apply in Jersey.

Under Jersey law, security over Jersey situs assets is created in accordance with the provisions of Jersey law. The Jersey situs assets of H.I.J. Limited will be secured pursuant to Jersey law governed security interest agreements. The 2012 Law provides that a secured party may enforce security over intangible movable assets by way of sale or appropriation of the collateral or proceeds. In addition, a secured party may take certain ancillary actions, including any bespoke enforcement powers included in a security agreement, to the extent not in conflict with the 2012 Law. More than one enforcement option can be taken, and taking one or more of the enforcement options specified above does not preclude the exercise of other rights of a secured party. The power of enforcement is exercisable once an event of default has occurred and written notice specifying the event of default has been served on the grantor by the secured party. If enforcement is by way of sale or appropriation, the secured party must give the grantor 14 days' prior written notice. Importantly, the grantor may agree in writing to waive its right to notice of appropriation or sale and it is usual to include such a waiver in the security agreement. The secured party is obliged on sale or appropriation, to give at least 14 days' prior written notice to: (i) any person who, 21 days before the sale or appropriation, has a registered security interest in the collateral; and (ii) any person other than the grantor who has an interest in the collateral and has, not less than 21 days before the sale or appropriation, given the secured party notice of that interest unless, in each case, the secured party and such person have otherwise agreed in writing.

There are specific carve-outs from the obligation to give notice of sale. On exercising the power of enforcement by appropriation or sale, the secured party must: (i) take all commercially reasonable steps to determine or, in the case of a sale, obtain the fair market value of the collateral, as at the time of the relevant appropriation or sale; (ii) act in a commercially reasonable manner in relation to the appropriation or sale; and (iii) (in the case of a sale only) enter into any agreement for or in relation to the sale only on commercially reasonable terms. The duty of the secured party is owed to the grantor and also to any other person to whom the secured party was required to give notice of sale or appropriation (whether or not they have agreed in writing to waive the notice requirements). If, in exercising its powers of enforcement, a secured party appropriates or sells collateral, it must, within 14 days after the day on which the collateral is appropriated or sold, give certain persons (any person with a registered subordinate security interest and certain persons claiming an interest in the collateral) a written statement of account setting out certain information in relation to that appropriation or sale. If a secured party has sold or appropriated the collateral and the net value or proceeds of appropriation or sale (as appropriate) of the collateral exceeds the amount of the debt owed to the secured party, the secured party shall pay the amount of any resulting surplus in the following order: (i) in payment, in due order of priority, to any person who has a subordinate security interest in the collateral and has registered a financing statement over that security interest (where the registration remained effective immediately before the appropriation or sale); (ii) in payment to any other person (other than the grantor) who has given the secured party notice that that person claims an interest in the collateral and in respect of which the secured party is satisfied that that person has a legally enforceable interest in the collateral; and (iii) as to the balance (if any) in payment to the relevant debtor grantor. Alternatively, the secured party may discharge its obligation above with respect to any surplus by paying that amount into the Royal Court. The surplus may then only be paid out on the order of the court on application by a person entitled to the surplus.

Jersey limited partnerships

The Jersey law on limited partnerships is set out in Limited Partnerships (Jersey) Law 1994, as amended (the "**Jersey Limited Partnerships Law**") and a limited partnership established under the Jersey Limited Partnerships Law (excluding an incorporated limited partnership established under the Incorporated Limited Partnerships (Jersey) Law 2011 and a separate limited partnership established under the Separate Limited Partnerships (Jersey) Law 2011) is a "**Jersey Limited Partnership**"). Article 40 of the Jersey Limited Partnerships Law provides that the rules of customary law applicable to partnerships shall apply to Jersey Limited Partnerships except in so far as they are inconsistent with the express provisions of the Jersey Limited Partnerships Law. There is no Jersey equivalent to the UK Partnerships Act 1890 and so Jersey partnership law is derived from the common or customary law applicable to general partnerships.

Although a Jersey Limited Partnership is registered with the Registrar of Limited Partnerships in Jersey, the Jersey Limited Partnership is not a separate legal person nor a body corporate. Therefore all actions and proceedings against a Jersey Limited Partnership must be commenced against the general partner in its capacity as general partner of the Jersey Limited Partnership, and not against any limited partner or against the Jersey Limited Partnership itself (without reference to the general partner).

As a Jersey Limited Partnership is not a separate legal person, its insolvency (defined in Article 2 of the Jersey Limited Partnerships Law as the general partner being unable to discharge the debts of the Jersey Limited Partnership as they fall due out of the assets of the Jersey Limited Partnership, without recourse to the general assets of the general partner) will not lead to the commencement of *en désastre* or creditors' winding up proceedings in respect of the Jersey Limited Partnership. Please see paragraph below for a summary of the provisions of the Jersey Limited Partnerships Law relating to dissolution of a Jersey Limited Partnership.

However, assuming the general partner is the sole general partner of the Jersey Limited Partnership, given the unlimited liability of the general partner to meet the liabilities and obligations of the Jersey Limited Partnership, the insolvency of the general partner (by way of *en désastre* or creditors' winding up proceedings in respect of the general partner) will usually follow the insolvency of the Jersey Limited Partnership.

The Jersey Limited Partnerships Law provides that a Jersey Limited Partnership shall be dissolved upon the dissolution, bankruptcy or withdrawal from the Jersey Limited Partnership of the sole or last general partner (but not, subject to the provisions of the Jersey Limited Partnership agreement, a limited partner). In such circumstances, the Jersey Limited Partnership shall be wound up in accordance with the terms of the limited partnership agreement or on the application of a limited partner or a creditor of the Jersey Limited Partnership in accordance with the directions of the Royal Court.

It should be noted that a Jersey Limited Partnership will not be wound up as referred to above if within 90 days of its dissolution, the limited partners (either unanimously or as provided for in the Jersey Limited Partnership agreement) elect one or more replacement general partners. In such circumstances, the Limited

Partnership shall be deemed to not have been dissolved and the activities of the Jersey Limited Partnership may be taken over and continued as provided for in the limited partnership agreement or a subsequent agreement.

Under the Jersey Limited Partnerships Law, the Royal Court may order the dissolution of a Jersey Limited Partnership on the application of any partner if the Royal Court is satisfied that:

(a) the Jersey Limited Partnership is being conducted in a manner calculated or likely to affect prejudicially the carrying out of the activities of the Jersey Limited Partnership;

(b) the Jersey Limited Partnership is being conducted in a manner oppressive to one or more of the limited partners; or

(c) circumstances have arisen which render it just and equitable that the Jersey Limited Partnership be dissolved.

Where the Royal Court makes an order in accordance with this paragraph, it may give such directions as it thinks fit as to the winding up of the Jersey Limited Partnership.

Upon the dissolution of a Jersey Limited Partnership, its affairs shall be wound up by the general partner unless the activities of the Jersey Limited Partnership are taken over and continued as referred to above or the Royal Court has given directions as to how the Jersey Limited Partnership should be wound up.

The Jersey Limited Partnerships Law provides that the assets of a Limited Partnership shall be distributed in the following order after the dissolution of a Jersey Limited Partnership:

(a) firstly, to the creditors (other than limited partners on account of their contribution or profit and general partners) of the Jersey Limited Partnership in satisfaction of the Jersey Limited Partnership’s debts;

(b) secondly, to limited partners who are creditors and who are not also general partners in satisfaction of the Jersey Limited Partnership’s debts to them (other than debts described in paragraph (c) below);

(c) finally, subject to the provisions of the limited partnership agreement, to the partners as follows:

    (i) firstly, to general partners other than for capital and profits;

    (ii) secondly, to limited partners in respect of the capital of their contributions;

    (iii) thirdly, to limited partners in respect of their share of the profits on their contributions;

    (iv) fourthly, to general partners in respect of capital; and

    (v) finally, to general partners in respect of profits.

The general insolvency and dissolution provisions under the Jersey Limited Partnerships Law relating to Jersey Limited Partnerships established in Jersey are subject to a number of specific exceptions.

Jersey guarantee limitations

The New Indenture will provide that any right which at any time either Jersey Guarantor has under the existing or future laws of Jersey, whether by virtue of the *droit de discussion* or otherwise, to require that recourse be had to the assets of any other person before any claim is enforced against such Jersey Guarantor, in respect of its obligations under the New Indenture, will be irrevocably and unconditionally abandoned and waived.

The New Indenture will also provide that any right which at any time either Jersey Guarantor may have under the existing or future laws of Jersey, whether by virtue of the *droit de division* or otherwise, to require that any liability under the New Indenture be divided or apportioned with any other person or reduced in any manner whatsoever will be irrevocably and unconditionally abandoned and waived.

Guernsey

Commercial Benefit

Under Guernsey law, a Guarantee or the provision of security may be liable to be set aside if there is no commercial benefit to the Guarantor in issuing it. The directors of each Guarantor organized in Guernsey (each, a "**Guernsey Guarantor**") believe that the issuance of the Guarantees and the provision of security by a Guernsey Guarantor are of commercial benefit to such Guarantor. However, there can be no assurance that the issuance of the Guarantees or the provision of security will not be challenged by a liquidator, administrator or creditor, or that a court would support the directors' commercial benefit analysis.

Customary Law

Under Guernsey customary law, if it can be shown that the granting of a Guarantee or the provision of security was made at the time the Guarantor was insolvent or that the Guarantor became insolvent as a result of the Guarantee or the provision of security, any person prejudiced by the Guarantee or the provision of security may apply to the Guernsey Court to set the Guarantee or the security aside as a transaction defrauding creditors. This provision of Guernsey customary law may, in certain circumstances, be used by any person who claims to be the victim of the transaction, not only liquidators. If a court were to find that the granting of the Guarantee or the provision of security constituted a transaction defrauding creditors, the court may make such orders as it thinks fit to protect the interests of those creditors and to restore the Guarantor's position to what it would have been if the transaction had not been entered into, including by voiding the Guarantee and/or the security. There is not yet decisive case law as to what, if any, time limit there is on such a challenge. Furthermore, if the Guernsey Court was asked to enforce a Guarantee or security against a Guernsey Guarantor, that Guernsey Guarantor might be able to claim certain rights under Guernsey law, known as the "*droit de division*" and the "*droit de discussion*," being respectively a right to require that any liability of the Guernsey Guarantor be divided or apportioned with another person or persons and a right to require that the assets of the principal obligor (or any other person) be exhausted before any claim is enforced against the Guernsey Guarantor unless the Guernsey Guarantor has agreed to waive such rights. It is intended that the Guernsey Guarantor will waive its rights under the *droit de division* and the *droit de discussion* under the New Indenture.

Fraudulent and Wrongful Trading

Under Guernsey law, if the business of a company is carried on with intent to defraud creditors (whether of the company or of any other person) or for any fraudulent purpose, every person who is knowingly a party to the carrying on of the business in that manner is guilty of an offense. Civil liability can also arise where in the course of the winding up of a company it appears that the business of the company had been carried on with intent to defraud creditors (whether of the company or of any other person) or for any fraudulent purpose. In that instance the Guernsey Court on application of a creditor, member, liquidator or administrator may declare that any person who was knowingly a party to the carrying on of the business in such manner is liable to make a contribution to the company's assets.

If in the course of an insolvent winding up of a Guernsey company it appears that at some time before the commencement of the winding up a director (including an alternate, *de facto* or shadow director) knew or ought to have concluded that there was no reasonable prospect of the company avoiding going into insolvent liquidation, the Guernsey Court on the application of the liquidator or any creditor or member of the company can declare that such director shall be liable to make such contribution to the company's assets as the Guernsey Court thinks proper, unless upon the insolvent winding up becoming inevitable such director took every step to minimize potential loss to the company's creditors, which that director ought reasonably to have taken, taking into account the skills expected of a person carrying on such functions carried out by that director and the actual knowledge, skill and experience of that director.

Preferences

In Guernsey, if a liquidator can show that a company has given a "preference" to any person after the commencement of a period of six months immediately preceding the start of the winding up proceedings (or two years if the preference is to a connected person) and at the time of giving the preference such company was unable to pay its debts or became as a result of giving the preference unable to pay its debts, the Guernsey Court may make such order as it thinks fit for restoring the position to what it would have been if the company had not given the preference. A company is deemed to have given a preference to a person if that person is either one of the company's creditors or a surety or Guarantor for any of the company's debts or liabilities, and the company does anything or permits anything to be done which improves that person's position in the company's liquidation. The Guernsey Court may not make an order regarding a preferential transaction unless it is satisfied that the company was influenced in deciding to give the preference by a desire to put that person in a better position in the company's liquidation, save where the person given a preference is connected with the company where such desire is presumed unless the contrary is shown. If the Guernsey Court finds that the Guarantees are preferences, it has wide powers for restoring the position of the Guarantor to what it would have been if that preference had not been given, which could include reducing payments under the Guarantees or setting aside the Guarantees and any security provided. However, there is protection for a third party who enters into a preferential transaction in good faith, for value and without notice.

Transactions at an undervalue

Under the Companies (Guernsey), Law, 2008, as amended, (the "**Guernsey Companies Law**"), the Guernsey Court may, on the application of a liquidator or an administrator, set aside a transaction (including any guarantee or security interest) entered into by a company with any person at an undervalue. If the liquidator or administrator can show that a company has entered into a "transaction at an undervalue" with any person after the commencement of a period of six months from (a) the date of any application for the compulsory winding up of the company or start of the winding up proceedings or (b) the date of the passing by the company of any resolution for the voluntary winding up of the company (or two years if the transaction is entered into with a connected person) (the "**relevant time**") and at the time of entering into the transaction such company was unable to pay its debts or became as a result of entering into the transaction unable to pay its debts, the Guernsey Court may make such order as it thinks fit for restoring the position to what it would have been if the company had not entered into the transaction. The Guernsey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

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 New 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 "*Enforcement of Civil Liabilities*."

Insolvency Proceedings

Under Guernsey law there are two substantive types of insolvency proceedings relating to non-cellular companies, namely administration and winding up proceedings although there are also the customary law insolvency procedures of *désastre* and *saisie*. *Désastre* involves execution against a debtor's movable assets in Guernsey and is most often employed against individuals, but could potentially be applied to companies. Saisie involves execution against a debtor's real property situated in Guernsey.

Administration

An administration order may be made in respect of a Guernsey company if the Guernsey Court is satisfied that a company does not satisfy or is likely to become unable to satisfy the "solvency test" prescribed by the Companies (Guernsey) Law, 2008, as amended and considers that the making of an administration order may achieve either:

- the survival of the company, and the whole or any part of its undertaking, as a going concern; or
- a more advantageous realization of the company's assets than would be effected on a winding up.

An administration order may be applied for by a company itself, the directors of the company, any member of the company, any creditor of the company (including any prospective or contingent creditor), the GFSC in respect of supervised companies and companies engaged in financial services business or, in the case of a company in respect of which the Guernsey Court has made an order for winding up or which has passed a resolution for voluntary winding up, a liquidator.

In the period between the presentation of the application for an administration order and ending with the making of an order or the dismissal of the application:

- no resolution may be passed or order made for the company's winding up; and

- no proceedings may be commenced or continued against the company except with the leave of the Guernsey Court and subject to such terms and conditions as the Guernsey Court may impose.

However, a creditor's rights of set-off and security interests created pursuant to the Security Interests (Guernsey) Law, 1993 and rights of enforcement thereof are unaffected and may be exercised without the leave of the Guernsey Court. In addition, the leave of the Guernsey Court is not required for the presentation of an application for the company's winding up in that period.

Following the making of an administration order and during the period for which the administration order is in force, the affairs, business and property of a company are managed by an administrator appointed by the Guernsey Court, and no resolution may be passed or order made for the company's winding up and no proceedings may be commenced or continued against the company except with the consent of the administrator or the leave of the Guernsey Court and subject to such terms and conditions as the Guernsey Court may impose. However, a creditor's rights of setoff and security interests created pursuant to the Security Interests (Guernsey) Law, 1993, and rights of enforcement thereof are unaffected.

Winding up

A Guernsey company may be wound up voluntarily if:

- the period (if any) fixed by its memorandum or articles of incorporation for the duration of the company expires, provided that the company passes an ordinary resolution that it be wound up voluntarily; or

- an event (if any) occurs on the occurrence of which the memorandum or articles of incorporation of the company provide that the company must be dissolved, provided that the company passes an ordinary resolution that it be wound up voluntarily; or

- if the company passes a special resolution that it be wound up voluntarily.

From the commencement of a voluntary winding up (which occurs upon the passing of the resolution for voluntary winding up), the company must cease to carry on business, except insofar as may be expedient for the beneficial winding up of the company. The company, however, continues in existence until dissolution.

Arrangements can be entered into between a Guernsey company which is being voluntarily wound up and its creditors to delegate to its creditors the right to appoint a liquidator. Any arrangement entered into between a company and its creditors, subject to a right of appeal, is binding if sanctioned by a special resolution of the company and by 75% in number and value of its creditors. However, a creditor or shareholder of a company that has entered into such an arrangement may, within 21 days beginning on the date of the completion of the arrangement, apply to the Guernsey Court for an order that the arrangement be set aside. The Guernsey Court may make such order as it thinks fit for the setting aside, amendment, variation or confirmation of the arrangement.

A company may be compulsorily wound up by the Guernsey Court if the company, among others: has by special resolution resolved that it be wound up by the Guernsey Court; has not commenced business within one year beginning on the date of its incorporation; suspends business for a whole year; has no members; or is unable to pay its debts. For this purpose, a company is deemed to be unable to pay its debts if a creditor to whom the company owes a sum exceeding £750, which is due, serves on the company through the office of H.M. Sergeant at the company's registered office a written demand for payment (commonly called a "**statutory demand**"), and the company, for a period of 21 days immediately following the date of service of the statutory demand, fails to pay the sum or to secure payment to the reasonable satisfaction of the creditor; or if it is proved to the satisfaction of the Guernsey Court that the company fails to satisfy the solvency test as prescribed by the Companies (Guernsey) Law, 2008, as amended.

On the making of an application for the compulsory winding up of a company or at any time thereafter, any creditor of the company may apply to the Guernsey Court for an order restraining, on such terms and conditions as the Guernsey Court thinks fit, any action or proceeding pending against the company; or appointing a provisional liquidator to ascertain the company's assets and liabilities, manage its affairs and do all acts authorized by the Guernsey Court.

The Netherlands

Insolvency

Where a company has its "center of main interests" or an "establishment" in the Netherlands it may be subject to Dutch insolvency proceedings governed by Dutch insolvency laws, subject to certain exceptions provided for in Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), as amended. Certain of the Guarantors have their corporate seat in the Netherlands (i.e., the Dutch Guarantors) and it is therefore presumed (subject to proof to the contrary) that they have their "center of main interests" in the Netherlands. Dutch insolvency laws may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions. The following is a brief description of certain aspects of Dutch insolvency law.

There are two primary insolvency regimes under Dutch law in relation to debtors (excluding natural persons). The first, moratorium of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*). In practice, bankruptcy proceedings may also be used to sell the business, or parts of the business, as a going concern. As such, a bankruptcy could function as a restructuring procedure as well as a liquidation procedure. A general description of the principles of both insolvency regimes is set out below. Furthermore, as of January 1, 2021, debtors have the possibility under a pre-insolvency regime plan to offer a composition outside of formal insolvency proceedings, see further under "*—Dutch Scheme*" below.

An application for a moratorium of payments can only be made by the debtor itself. Once the request for a moratorium of payments is filed, the court will immediately (*dadelijk*) grant a provisional moratorium and appoint an administrator (*bewindvoerder*). A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerp akkoord*) is filed simultaneously with the application for a moratorium of payments, the court can order that the composition be processed before a decision about a definitive moratorium is made. If the composition is accepted and subsequently confirmed by the court (*gehomologeerd*), the provisional moratorium ends. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The moratorium of payments is only effective with regard to unsecured non-preferential creditors. Unlike Chapter 11 proceedings under U.S. bankruptcy law, during which both secured and unsecured creditors are generally barred from seeking to recover on their claims during a moratorium of payments, under Dutch law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the debtor in moratorium of payments to satisfy their claims as if there were no moratorium of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, the court may order a "cooling down period" for a maximum period of four months during which enforcement actions by secured or preferential creditors are barred. Further, in a definitive moratorium of payments, a composition (*akkoord*) may be offered to creditors. A composition will be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the creditors being present or represented at the creditors' meeting, representing at least 50% of the amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the court. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the holders of the Exchange Notes to effect a restructuring and could reduce the recovery of a holder of Notes in Dutch moratorium of payments proceedings to the extent that the proceeds of the Dutch law security created for the benefit of the holders of the Exchange Notes are insufficient to satisfy their claims. Interest payments that fall due after the date on which a moratorium of payments is granted cannot be claimed in a composition.

Under Dutch law, a debtor can be declared bankrupt when it is no longer able to pay its debts when due. The bankruptcy can be requested by the debtor itself or a creditor whose claim is due and payable but left unpaid; provided that there is at least one other eligible creditor or, in exceptional circumstances (e.g., for reasons of public interest), by the public prosecutor.

If the court declares a debtor bankrupt, it will appoint a receiver (curator) (or several receivers, depending on the complexity of the proceedings) and a judge to supervise the insolvency proceedings. The receiver will realize the debtor's assets and distribute the proceeds to the debtor's creditors in accordance with the statutory order of payment. The general principle of Dutch bankruptcy law is the so-called *paritas creditorum* (principle of equal treatment), which means that all creditors have an equal right to payment and that the proceeds of bankruptcy proceedings shall be distributed in proportion to the size of their claims. However, certain creditors (such as secured creditors and preferential creditors, including tax and social security authorities) will have special rights that take priority over the rights of other creditors. As a general rule, claims of unsecured and non-preferential creditors will have to be submitted to the receiver in bankruptcy to be verified. Any remaining funds will be distributed to the debtor's shareholders. Creditors of secured claims, such as the holders of the Exchange Notes, and preferential creditors with respect to certain assets of a debtor, who expect that the proceeds of a future enforcement against the assets subject to the security or their preferred rights, as the case may be, will be insufficient to satisfy their claim in full, may request to receive the same rights as unsecured and non-preferential creditors with respect to the expected remainder of their claim, with preservation of their rights as a secured or preferential creditor in respect of the secured asset or the asset to which the relevant preferential right relates. If a secured creditor enforces its security rights prior to the expiry of the period for submitting claims for verification, and the proceeds of such enforcement are insufficient to satisfy its claim in full, the remainder of that claim may be submitted to the receiver in bankruptcy in order to be verified. "Verification" under Dutch law means that the receiver in bankruptcy determines the value of the claim and whether and to what extent it will be admitted in the bankruptcy proceedings for the purpose of distribution of the proceeds. A claim with an uncertain due date or which entitles the creditor to periodic payments shall be admitted for its value at the date of the bankruptcy order. Claims which become payable within one year after the day the debtor is declared bankrupt shall be considered matured. Claims which become payable one year after the commencement of bankruptcy proceedings shall be admitted for their value one year from the date of the commencement of the bankruptcy. Claims having an indeterminate or uncertain value, or whose value is not expressed in Dutch currency or not expressed in monetary terms at all, shall be admitted for their estimated value in Dutch currency. Interest payments on claims existing at the time of the bankruptcy order that fall due after such time cannot be verified, unless secured by a pledge or mortgage. In such a case, interest will be admitted *pro memoria*. To the extent that the interest is not covered by the proceeds of the security, the creditor may not derive any rights from the admission. The existence, value and ranking of any claims submitted by the holders of the Exchange Notes may be challenged in the Dutch bankruptcy proceedings. Generally, in a creditors' meeting (*verificatievergadering*), the receiver in bankruptcy, the insolvent debtor and all verified creditors may dispute the verification of any other claim that has been submitted for verification. Creditors whose claims or value thereof are disputed in the creditors' meeting may be referred to separate court proceedings (*renvooi procedure*). As in moratorium of payments proceedings, in a bankruptcy a composition may be offered to creditors, which shall be binding on unsecured non-preferential creditors if (i) it is approved by a simple majority of the creditors being present or represented at the creditors' meeting, representing at least 50% of the amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the court. The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors on a pro rata basis. Contractual subordination may, to a certain extent, be given effect in Dutch insolvency proceedings. However, the actual effect depends largely on the way such subordination is construed.

Secured creditors, such as the holders of the Exchange Notes, may enforce their rights against assets of the debtor that are subject to the security to satisfy their claims during a Dutch bankruptcy as if there is no bankruptcy. As in moratorium of payments proceedings, the court may order a "cooling down period" for a maximum of four months during which all recourse actions (including action to enforce security) by secured creditors (other than estate creditors (*boedelschuldeisers*)), are prohibited unless such creditors have obtained leave from the supervisory judge. Further, a receiver in bankruptcy can force a secured creditor to enforce its security interest within a reasonable period of time, failing which the receiver will be entitled to sell the secured assets. Failing enforcement before such deadline, the receiver is permitted to sell the secured asset. After such a sale, the former holder of the security right remains entitled to a prioritized claim, but the underlying assets are no longer available for immediate recourse and the secured creditor will need to contribute to the general costs of the bankruptcy to be paid out of the proceeds realized by such a sale by the liquidator. If the proceeds of sale are insufficient to repay the debt owed to the secured creditor, the secured creditor will be treated as an unsecured creditor for the balance of its residual claims. Excess proceeds of enforcement must be returned to the bankruptcy estate; they may not be set-off (*verrekend*) against an unsecured claim of the secured creditor in the bankruptcy. Such set-off is allowed prior to the bankruptcy although a set-off prior to bankruptcy may be subject to claw-back in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off. Consequently, Dutch bankruptcy laws could reduce your potential recovery in Dutch bankruptcy proceedings.

Under Dutch law, as soon as a debtor is declared bankrupt, all pending executions of judgments against such debtor, as well as all attachments on the debtor's assets, will be terminated by operation of law. Litigation pending on the date of the bankruptcy order is automatically stayed.

In addition, under Dutch insolvency laws, the validity of an appointment of an agent for service of process granted by a Dutch company is uncertain. Furthermore, such appointments will terminate automatically in the case of an insolvency of the Dutch Guarantor. As such, the ability to bring suit against the Dutch Guarantor in the United States may be limited.

Dutch Scheme

As regards the pre-insolvency plan regime, as of January 1, 2021, debtors have the possibility to offer a composition outside of formal insolvency proceedings under the Act on Court Confirmation of Extrajudicial Restructuring Plans (*Wet homologatie onderhands akkoord*) ("**Act on Court Confirmation of Extrajudicial Restructuring Plans**"). The pre-insolvency plan regime has been incorporated in the Dutch Bankruptcy Act pursuant to this Act on Court Confirmation of Extrajudicial Restructuring Plans. Unlike a composition in suspension of payments and in bankruptcy proceedings, a composition under the Act on Court Confirmation of Extrajudicial Restructuring Plans can be offered to secured creditors as well as shareholders. The Act on Court Confirmation of Extrajudicial Restructuring Plans provides, *inter alia*, for cross class cram down, the restructuring of group company obligations through either one or more aligned proceedings, the termination of onerous contracts, deactivation of certain *ipso facto* clauses in contracts, and supporting court measures. The debtor and also creditors, shareholders or employee representation may take the initiative for a composition under the Act on Court Confirmation of Extrajudicial Restructuring Plans. Such composition may result in claims against the Dutch Guarantors as compromised if the relevant majority of creditors within a class or a more senior class vote in favor of such a composition and such composition is confirmed by Dutch courts. A composition plan under the Act on Court Confirmation of Extrajudicial Restructuring Plans can extend to claims against entities that are not incorporated under Dutch law and/or are residing outside the Netherlands. Accordingly, the Act on Court Confirmation of Extrajudicial Restructuring Plans can affect the rights of the Security Agent and/or the holders of the Exchange Notes under the New Indenture.

Under the Act on Court Confirmation of Extrajudicial Restructuring Plans, voting on a composition plan is done in classes and creditors and shareholders with dissimilar rights are placed in different classes. Approval by a class requires a decision adopted with a majority of two third of the claims of that class that have voted on the plan or, in the case of a class of shareholders, two thirds of the shares of that class that have voted on the plan. The Act on Court Confirmation of Extrajudicial Restructuring Plans provides for the possibility for a composition plan to be binding on a non-consenting class (cross class cram down). Under the Act on Court Confirmation of Extrajudicial Restructuring Plans, the court will confirm a composition plan if at least one class of creditors (other than a class of shareholders) that can be expected to receive a distribution in case of a bankruptcy of the debtor approves the plan, unless there is a statutory ground for refusal. The court can, *inter alia*, refuse confirmation of a composition plan on the basis of (i) certain general grounds for refusal (e.g., procedural requirements have not been met, fraud, etc.), (ii) a request by an affected non-consenting creditor of a consenting class if the value of the distribution that such creditor receives under the plan is lower than the distribution it can be expected to receive in case of a bankruptcy of the debtor or (iii) a request of an affected creditor of a non-consenting class, if the plan provides for a distribution of value that deviates from the statutory or contractual ranking and priority to the detriment of that class, unless there is a reasonable ground to do so. There is one mandatory refusal ground specifically applicable to secured financial creditors that have provided financing to the debtor (if so requested by such creditor(s)). If the composition plan entails a debt-for-equity swap to which such creditors do not want to ascribe, and these creditors do not have the right to opt for a different kind of distribution, the court will refuse confirmation of such plan on the request of such creditor.

Under the Act on Court Confirmation of Extrajudicial Restructuring Plans, the court may grant a stay on enforcement (*afkoelingsperiode*) of a maximum of four months, with a possible extension of four months. During such stay on enforcement period, *inter alia,* all enforcement action against the assets of (or in the possession of) the debtor is suspended, including action to enforce security over the assets of the debtor. Accordingly, during such stay a pledgee of claims may not collect nor notify the debtors of such pledged claims of its rights of pledge, unless with the court's approval. Furthermore, any petitions for bankruptcy in respect of the debtor are suspended and the court may lift attachments on the debtor's assets at the request of the debtor or restructuring expert.

Limitation on enforcement

Security governed by Dutch law may be voided by a court if the relevant security document was executed or the security was otherwise provided through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or mistake (*dwaling*) of a party to the agreement contained in that document. Additionally, enforcement of the security interests over shares of capital stock of the Dutch Guarantors may be subject to the requirement to seek a declaration of no-objection from the ECB.

Payment under a security document governed by Dutch law may be withheld, and the exercise of rights in respect of the security or the enforcement of the security interest may be limited, under the doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure (*niet toerekenbare tekortkoming*), and unforeseen circumstances (*onvoorziene omstandigheden*) and other general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such security interest. Other impeding factors include rights of suspension (*opschorting*), dissolution of a contract (*ontbinding*) and set off (*verrekening*). The enforceability of the obligations of the Dutch Guarantors may also be limited under the 1977 Sanction Act (*Sanctiewet 1977*) or otherwise by international sanctions and in proceedings in a Dutch court for the enforcement of a Dutch law security interest, such court may mitigate amounts due in respect of litigation, enforcement and collection costs.

Furthermore, if a Dutch Guarantor enters into a transaction (such as the granting of a guarantee or security interest), the validity and enforceability of the relevant transaction may be contested by the Dutch company or its administrator (*bewindvoerder*) in a suspension of payments or its receiver (*curator*) in bankruptcy, if (i) that transaction is not in the company's corporate interest (*vennootschappelijk belang*) and (ii) the other party to the transaction knew or should have known this without independent investigation. In determining whether the granting of a guarantee or the giving of security is in the interest of the relevant Dutch company, a Dutch court would not only consider the text of the objects clause in the articles of association of the company but also all relevant circumstances, including whether the company derives certain commercial benefits from the transaction in respect of which the guarantee or security interest was granted and any indirect benefit derived by the relevant Dutch company as a consequence of the interdependence of it with the group of companies to which it belongs and whether or not the subsistence of the relevant Dutch company is jeopardized by conducting such transaction. The mere fact that a certain legal act (*rechtshandeling*) is explicitly mentioned in the objects clause in the articles of association of the company may not be conclusive evidence to state that such legal act is in the corporate interests.

Parallel debt

Under Dutch law, it is uncertain whether "accessory" security interests such as pledges require that the pledgee and the creditor of the obligations to be secured be the same person. It is often assumed that such security interests cannot be held on behalf of third parties who do not hold the secured claim. The beneficial holders of the Exchange Notes from time to time will not be party to the security documents. In order to permit the holders of the Exchange Notes from time to time to have the benefit of a secured claim, the security documents will provide for the creation of a "parallel debt." Pursuant to the parallel debt, the security agent becomes the holder of a claim equal to each amount payable by an obligor under the Exchange Notes. The security governed by Dutch law will directly secure the parallel debt. The parallel debt procedure has not been (explicitly) tested under Dutch law, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by Dutch law.

Hardening periods and fraudulent conveyance

To the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, an agreement pursuant to which it agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its receiver in bankruptcy, if (i) it performed such acts without an obligation to do so (*onverplicht*), (ii) generally the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the act, and at the time the act was performed both it and (unless the act was for no consideration (*om niet*)) the party with or towards which it acted, knew or should have known that one or more of its creditors (existing or future) would be prejudiced. In addition, in the case of such a bankruptcy, their receiver in bankruptcy may nullify its performance of any due and payable obligation (including, without limitation, an obligation to provide security for any of its or a third party's obligations) if (i) the payee (*hij die betaling ontving*) knew that a request for bankruptcy had been filed at the moment of payment, or (ii) the performance of the obligation was the result of concerted efforts by the debtor and the payee with a view to giving preference to the latter over the debtor's other creditors.

For certain types of transactions that are entered into within one year before (a) the declaration of the bankruptcy, or (b) the moment the transaction is challenged by a creditor, the debtor and the counterparty to the transaction are legally presumed to have knowledge of the fact that the transaction will prejudice the debtor's creditors (subject to evidence of the contrary).

Portugal

Insolvency

International aspects of Portuguese bankruptcy, controlled management or voluntary arrangement with creditors' proceedings may be subject to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), as amended (the "**EU Insolvency Regulation**"). Pursuant to the EU Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "center of main interests." The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Certain of the Guarantors have their corporate seat in Portugal (i.e., Whitestar Asset Solutions, S.A. and AGHL Portugal Investments Holdings, S.A. (the "**Portuguese Guarantors**"), which are incorporated under Portuguese law and have their registered offices in Portugal) and it is therefore presumed (subject to proof to the contrary) that they have their "center of main interests" in Portugal. Portuguese insolvency laws may not be as favorable to your investments as creditors as the insolvency laws of other jurisdictions. The following is a brief description of certain aspects of Portuguese insolvency law.

Insolvency proceedings in Portugal may be initiated either by the debtor, a creditor or the Public Prosecutor (*Ministerio Público*) (representing entities which have their interests legally entrusted to it) when the debtor is deemed to be insolvent. Under Portuguese insolvency law, a debtor is deemed to be insolvent if it is unable to fulfill its debts as they fall due. A company will also be considered insolvent if it is proved to the satisfaction of the court that the value of the company's assets is significantly lower than the amount of its liabilities, according to the relevant accounting principles. Furthermore, although the main rule under Portuguese law is that insolvency is assessed on the existing factual situation, should the directors determine that the company will become insolvent in the near future, they can file for insolvency.

Furthermore, the Portuguese Code on Insolvency and Recovery of Companies (CIRE) establishes that when facing a difficult economic situation or in the case of a merely imminent insolvency situation, the debtor may submit an application to court for a "Special Proceeding of Revitalization" ("**PER**"). Additionally, the companies facing economic difficulties may also make use of the "Extrajudicial Regime of Companies' Recovery" ("**RERE**"). This is an out-of-court process managed by the Commercial Registry that aims at improving the conditions for reorganization of companies in deteriorated economic/financial structure still having the potential of being recovered.

Insolvency filing

The debtor must file for insolvency within 30 days of the date on which it becomes aware, or should have become aware, of its state of insolvency. If the debtor fails to do so, it may be declared by a Portuguese court to be in a state of "guilty insolvency" (*insolvência culposa*), which may lead to civil sanctions being imposed on the debtor (if an individual) and/or its directors, such as the inhibition of performance of acts of commerce for a period ranging from two to ten years, the prohibition for its directors to be appointed to the boards of corporate entities, the loss of credits over the insolvency or over the insolvent estate, the obligation to restore assets or rights received as a payment for those credits and the obligation to pay a compensation to the debtor's creditors up to the amount of the unsatisfied claims (all claims that were not paid in full in the insolvency proceedings) up to the limit of the debtor's directors available assets, and also to criminal sanctions, such as a fine or imprisonment of up to a year or five years if the debtor had the intent to cause damages to its creditors.

The creditor's insolvency claim

Upon the occurrence of certain events, any creditor is entitled, regardless of the nature of the debt owed to it, to file an insolvency claim against the debtor, even if such debt has not yet fallen due. A creditor must provide evidence of the existence, nature, origin and amount of the debt owed to it and it can do so by means of any type of evidence provided for in Portuguese law, notably the testimony of witnesses and presentation of documents. Such events include a general suspension of payment of overdue obligations of the debtor, the default on one or more debts which, considering the amount of such debt or the circumstances of such default, reveals that the debtor is generally unable to fulfill its obligations, the dissipation, renunciation or hasty liquidation of debtor's assets, the fraudulent assumption of debt or the general default, during a prior period of six months, on certain tax, social security contribution and employment obligations.

Effects of the declaration of insolvency

When a debtor is declared insolvent by the court, an "insolvency administrator" (*administrador de insolvência*) is appointed and the administration of the debtor's assets is immediately transferred to the insolvency administrator. In some cases, Portuguese law allows the debtor's corporate bodies to maintain their management activities, subject, however, to the supervision and powers of the insolvency administrator. The insolvency estate encompasses all assets belonging to the debtor at the time the insolvency is declared. In addition, all the assets that the insolvent debtor acquires during the insolvency proceedings also form part of the insolvency estate. If a court declares a debtor to be insolvent, the judge orders the apprehension, for immediate delivery to the insolvency administrator, of all of the assets of the debtor, even if seized, secured, mortgaged or by any means apprehended. Once insolvency is declared, the claims over the insolvent entity become immediately due, except if subject to conditions precedent, in which case specific rules will apply.

Effects of the insolvency on executory contracts

As a rule, executory contracts (a contract in which continuing obligations exist on both sides of the contract) shall be suspended when insolvency is determined (standstill effect) and, depending on the decision of the insolvency administrator, may be performed or terminated. A decision by the insolvency administrator that an executory contract should be performed rather than terminated is deemed to be abusive in situations where timely performance of the contractual obligations by the insolvency estate is highly unlikely. Specific rules govern the effects of insolvency on certain types of contracts.

Set aside (resolução) for the benefit of the insolvency estate

The insolvency administrator has the power to set aside certain acts, omissions or agreements entered into by the insolvent company. Past acts or omissions that are considered detrimental to the insolvency estate may be set aside if entered into by the insolvent company within two years prior to the commencement of the insolvency proceedings. Acts that reduce, prevent, render more difficult, jeopardize or delay the payment of creditors are considered detrimental to the insolvency estate. The ability of the insolvency administrator to set aside acts or omissions generally requires bad faith on the part of the third party affected thereby. Bad faith is presumed in the case of acts or omissions made within two years prior to the commencement of the insolvency proceedings by, or for the benefit of, a related party of the insolvent company (even if such beneficiary was not a related party at the time of the act or omission). Certain events can be set aside for the benefit of the insolvency estate, without proving bad faith or the detrimental nature of the act or omission.

Rules on priority of credits

Under the CIRE, creditors' claims are divided into guaranteed, privileged, ordinary and subordinated claims. Portuguese law also recognizes "insolvency estate debts" (*dívidas da massa insolvente*), which must be settled in priority to all other claims. Such claims include the judicial costs of the insolvency proceedings, the insolvency administrator's remuneration, debts arising from administration acts, liquidation and division of assets and, under certain circumstances, debts arising from the performance of executory agreements. The claims accepted by the insolvency administrator and recognized by the court are paid according to a ranking, depending on the type of assets to be sold under the scope of the insolvency proceedings.

Liquidation of the insolvency estate or insolvency plan

The CIRE determines that creditors' claims may be satisfied by either a liquidation of the insolvency estate or by putting in place a company rescue pursuant to an insolvency plan. This decision is to be made solely by the creditors. In the case of liquidation of a debtor's insolvency estate, the debtor's assets will be sold and the amounts recovered from the proceeds of such sale will be, at a first stage, allocated to the "insolvency estate debts" (*dívidas da massa insolvente*) and thereafter to the payment of the credits accepted by the insolvency administrator and recognized by the court. An insolvency plan is a rescue mechanism which can be put in place as an alternative to the liquidation process.

Special Proceedings of Revitalization

The PER is an urgent proceeding intended to allow the debtor that finds itself in a difficult economic situation or in a merely imminent insolvency situation, but is still likely to recover from that status, to negotiate with its creditors in order to enter into an agreement with them leading to its recovery. For this purpose, the debtor is considered to be in a difficult economic situation if it faces serious difficulties to comply promptly with its obligations due to lack of liquidity or not being able to obtain credit. Moreover, the debtor is in a merely imminent insolvency situation if it anticipates that it shall not be able to continue to comply promptly with its obligations, which means that it shall not be able to resort to this process if it is already in an actual insolvency situation. The PER begins with an expression of intent by the debtor and of at least one of its creditors, by means of a written statement, to enter into negotiations leading to the revitalization of the debtor through the adoption of a recovery plan. At the same time the debtor should also submit documents to the court which should immediately appoint a provisional judicial administrator. It is not required that all creditors participate in the negotiations.

Extrajudicial Regime of Companies' Recovery (RERE)

The company which intends to apply to the RERE shall sign a negotiation protocol and promote their deposit at the Commercial Registry Office. This protocol must be signed by the debtor and the creditors representing at least 15% of non-subordinated claims and shall include a change in the composition, conditions or structure of the debtor's liabilities and/or assets, including share capital, or a combination of these elements, including the sale of assets or parts of activity, with the objective of the company surviving, in whole or in part. It should be noted that this protocol does not need to be voted on. Each creditor favors the protocol only if it accepts the restructuring of its credit. Thus, any agreement that may be approved will only take effect for creditors who have joined the RERE and who have approved the negotiation protocol.

As a result of the approval of the negotiation protocol, the pledges and the executive measures promoted by the creditors who joined the RERE and who signed the negotiation protocol are suspended; pledges and executive actions by creditors who have not joined the RERE remain active. Also, the providers of essential services such as electricity, natural gas, water and telecommunications are unable to suspend their supply for non-payment for the entire duration of the negotiation.

Hardening Periods and Fraudulent Transfer

Portuguese law contains specific provisions dealing with fraudulent conveyance, irrespective of whether the debtor has been declared insolvent (*Impugnação Pauliana*). The Portuguese Civil Code offers creditors protection against the acts of the debtor which led to a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide, or provides security for any of its obligations or a third party's obligations or any other legal act having similar effect) can be challenged by any of the debtor's creditors if: (i) the contested act has occurred after the creation of the credit (or before, if such act was performed with the intention to damage the creditor's means of recovery); (ii) the contested act makes the recovery of the credit impossible or frustrates such recovery; and (iii) at the time the act was performed both the debtor and the counterparty to the transaction knew or should have known that the act would be detrimental to the creditor, unless the act was entered into for no consideration, in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance.

Under the Portuguese Civil Code, a creditor may file a challenging action (*impugnação pauliana*) within a period of five years as from the date on which the contested act took place. A creditor that successfully challenges a debtor under such action, could have security governed by Portuguese law voided by a court. These provisions from the Portuguese Civil Code are still enforceable in case of insolvency of the debtor. If a court considers that the issuance of the Collateral issued by the Portuguese Guarantors involved a fraudulent conveyance that does not qualify for any defense under applicable law, then the issuance of such Collateral could be declared unenforceable against third parties or the creditor that lodged the claim.

Luxembourg

Insolvency

The following is a brief description of certain aspects of insolvency laws in Luxembourg. In the event that a Luxembourg company experiences financial difficulties, it is not possible to predict with certainty in which jurisdiction, or jurisdictions, insolvency or similar proceedings would be commenced, or what the outcome of such proceedings would be.

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Exchange Notes may be more limited than would be the case under U.S. bankruptcy laws.

Luxembourg courts should have, in principle, jurisdiction to open main insolvency proceedings with respect to entities having their registered office, central administration (administration centrale) and "centre of main interests," as used in Article 3(1) of the EU Insolvency Regulation, in Luxembourg, such proceedings to be governed by Luxembourg insolvency laws. According to the EU Insolvency Regulation, there is a rebuttable presumption that a company has its "centre of main interests" in the jurisdiction in which it has the place of its registered office (except if the registered office has been moved to another Member State within the 3-month period prior to the request to open insolvency proceedings). As a result, there is a rebuttable presumption that the "centre of main interests" of Guarantors incorporated in Luxembourg is located in Luxembourg and consequently that any "main insolvency proceedings" (as defined in the EU Insolvency Regulation) would be opened by a Luxembourg court and be governed by Luxembourg law, without prejudice to the powers granted to the courts of another Member State (except Denmark) to open secondary insolvency proceedings, subject to the conditions laid down in the EU Insolvency Regulation.

This presumption can notably be rebutted where the company's central administration (administration centrale) is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the management of its interests is located in that other Member State. The determination of where an entity has its "centre of main interests" is a question of fact, which may change from time to time. Article 3, paragraph 1 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."

Under Luxembourg law, the following types of proceedings (together referred to as "**insolvency proceedings**") may be initiated against a company having its registered office, central administration (*administration centrale*) and "center of main interests" (within the meaning of the EU Insolvency Regulation) or an establishment in Luxembourg (in the latter case assuming that the center of main interests is located in a jurisdiction where the EU Insolvency Regulation is applicable):

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the company, by any of its creditors or by the courts *ex officio*. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if the company: (i) is in a state of cessation of payment (*cessation des paiement*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). The main effect of such proceedings is (i) the appointment of an insolvency receiver (*curateur*) and the directors or managers of the Luxembourg company being deprived of their powers to manage the company; (ii) the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets and (iii) the sale of the assets and allocation of the proceeds of such sale between creditors taking into account their rank of privilege. The managers or directors of a Luxembourg company that ceases its payments (i.e., unable to pay its debts as they fall due with normal means of payment and loss of creditworthiness) must within a month of them having become aware of the company's cessation of payments and loss of creditworthiness, file a petition for bankruptcy (faillite) with the court clerk of the district court of the company's registered office. If the managers or directors fail to comply with such obligation they may be held (i) liable towards the company or any third parties on the basis of principles of directors' liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with Article 574 of the Luxembourg Commercial Code (*Code de commerce*); or

- judicial reorganization (*réorganisation judiciaire*) within the meaning of the Luxembourg law of 7 August 2023 on business continuity and the modernization of the bankruptcy regime (the "**Luxembourg Reorganization Law**"), the opening of which may only be requested by the company. The Luxembourg Reorganization Law aims at allowing a Luxembourg company, whose business is jeopardized, to apply (a) for a mutual agreement (*accord amiable*) with at least two creditors (which agreement may be declared enforceable by a Luxembourg court), (b) for a reorganization by collective agreement (*accord collectif*), including deferred debt reimbursements, debt-to-equity swaps or cram-downs of the company's debts, and any other collective agreement to be approved by creditors in accordance with the majority requirements set forth in the Luxembourg Reorganization Law and declared enforceable by a Luxembourg court or (c) for a court order in relation to the transfer of all or part of the Luxembourg company's assets or business. The filing of an application for judicial reorganization triggers a provisional stay regarding the enforcement of claims against the relevant Luxembourg company, except in relation to the enforcement of security interests governed by the Luxembourg law of 5 August 2005 on financial collateral arrangement, as amended (the "**Financial Collateral Law**") (see below), and the statutory obligation to file for bankruptcy (see above) is suspended during the stay.

In relation to secondary proceedings, within the meaning of the EU Insolvency Regulation, if an entity has an establishment (as described in the EU Insolvency Regulation) in Luxembourg, the only insolvency proceedings that may be opened will be bankruptcy proceedings (*faillite*) with limited effects to the assets located in Luxembourg.

In addition to these proceedings, your ability to receive payment on the Exchange Notes may be affected by a decision of a Luxembourg court to grant a stay on payment (*sursis de paiement*) or to put a Luxembourg company into judicial liquidation (*liquidation judiciaire*) or further to administrative dissolution without liquidation (*dissolution administrative sans liquidation*) proceedings. Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg Commercial Code (*Code de commerce*) or of the Luxembourg laws applicable to commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of a Luxembourg company in respect of the Exchange Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are preferred under Luxembourg law.

Preferential debts under Luxembourg law include, among others:

- remuneration owed to employees;
- social security contributions; and
- certain amounts owed to the Luxembourg tax
- authorities, including value added tax and other taxes and duties owed to the Luxembourg tax authorities.

Assets over which a security interest within the meaning of the Financial Collateral Law has been granted and perfected will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized and such surplus is available for distribution to unsecured creditors taking into account any other prior ranking or *pari passu* liabilities), and subject to application of the relevant priority rule and liens and privileges arising mandatorily by law.

More favorable rules apply in relation to security interests of claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments) subject to the Financial Collateral Law.

According to Article 20(4) of the Financial Collateral Law, (with the exception of the provisions of the law of January 8, 2013 on the over-extension of debt) the provisions of Book III, Title XVII of the Luxembourg Civil Code, of Book I, Title VIII and of Book III of the Luxembourg Code of Commerce, which include Articles 445, 446 and 448 (see below), and national or foreign provisions governing reorganization measures, winding-up proceedings or other similar proceedings and attachments are not applicable to financial collateral arrangements and netting agreements and shall not constitute an obstacle to the enforcement and to the performance by the parties of their obligations thereunder. According to Article 24 of the Financial Collateral Law the protection conferred by Article 20(4) applies not only to the Luxembourg security interests governed by the Financial Collateral Law (such as Luxembourg pledges over or collateral assignments of claims and financial instruments), but extends to foreign law financial collateral or arrangements, which are similar to the financial collateral arrangements subject to the Financial Collateral Law, where the collateral provider is located in Luxembourg. If Article 24 of the Financial Collateral Law applies, Luxembourg preference period rules are disapplied.

Article 21(2) of the Financial Collateral Law provides that where a financial collateral arrangement has been entered into on the day of, but after the opening of liquidation proceedings or the coming into force of reorganization measures, or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar persons if the collateral taker proves that it was unaware of the fact that such proceedings had been opened, or that such measures had been taken or that it could not reasonably be aware of such proceedings, measures or arrangement.

Impact of Insolvency Proceedings on Transactions

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. In particular, in relation to the judicial reorganization (*réorganisation judiciaire*) proceedings pursuant to Article 30 of the Luxembourg Reorganization Law, after the filing of an application for judicial reorganization and while judicial reorganization proceedings are ongoing, it is not permitted for a creditor to, among others, accelerate the underlying debt. According to the preparatory documents submitted during the parliamentary process leading to the Luxembourg Reorganization Law, which, however, are not binding on the Luxembourg courts, the Luxembourg Reorganization Law does not, as a matter of principle and subject to the provisions of the relevant collateral agreement, impact the enforcement of financial collateral arrangements falling within the scope of the Financial Collateral Law. Consequently, a creditor or pledgee may enforce a pledge subject to the Financial Collateral Law granted in its favor as long as the enforcement is not conditional exclusively upon the acceleration of the underlying debt owed by the Luxembourg company which is subject to judicial reorganization proceedings. Given that the Luxembourg Reorganization Law has been in effect since November 1, 2023, and in the absence of any Luxembourg court decision on the interrelation between the Luxembourg Reorganization Law and the Financial Collateral Law, the Luxembourg courts may take a different approach, although it should be noted that, in the past, when applying or interpreting the Financial Collateral Law, they regularly tended to take over the intention of the Luxembourg legislator and have adopted a rather lender-friendly approach.

Save with respect to financial collateral arrangements falling within the scope of the Financial Collateral Law (as further described below), Luxembourg insolvency laws may also affect transactions entered into or payments made by a Luxembourg company during the pre-bankruptcy preference period (*période suspecte*) which is a maximum of six months plus ten days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to Article 445 of the Luxembourg Commercial Code (*Code de commerce*), specified transactions (including the granting of a security interest for antecedent debts (save in respect of financial collateral arrangements within the meaning of the Financial Collateral Law); the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; and the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to Article 446 of the Luxembourg Commercial Code (*Code de commerce*), payments made for matured debts as well as other transactions entered into for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were entered into with the knowledge of the bankrupt party's cessation of payments; and

- pursuant to Article 448 of the Luxembourg Commercial Code (*Code de commerce*) and Article 1167 of the Luxembourg Civil Code (*Code civil*) (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in the automatic termination of contracts except for employment agreements and powers of attorney and any other *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were essential upon signing. The contracts, therefore, subsist after the bankruptcy order. However, the bankruptcy receiver may choose to terminate certain contracts as to avoid the worsening of the financial situation of the company. As at the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. The bankruptcy judgment provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters.

Insolvency proceedings may hence have a material adverse effect on the relevant Luxembourg company's business and assets and the Luxembourg company's respective obligations under the Exchange Notes.

As regards judicial reorganization (*réorganisation judiciaire*) proceedings, Article 30 of the Luxembourg Reorganization Law provides that, after the filing of an application for judicial reorganization and while judicial reorganization proceedings are ongoing, it is not permitted for a creditor to, among others, terminate the agreements entered into with the relevant Luxembourg company. The Luxembourg company is however allowed to unilaterally suspend the performance of its own contractual obligations (except for employment agreements) for the duration of the stay when imperatively required by the judicial reorganization proceedings. In such case, the other contracting party may suspend the performance of its own obligations, but it cannot terminate the relevant agreement.

Finally, international aspects of Luxembourg bankruptcy, or judicial reorganization proceedings may be subject to the EU Insolvency Regulation. In particular, rights *in rem* over assets located in another jurisdiction where the EU Insolvency Regulation is applicable, will not be affected by the opening of insolvency proceedings, without prejudice, however, to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of Article 24 of the Financial Collateral Law as described above and Article 16 of the EU Insolvency Regulation).

Limitation on Enforcement of Guarantees

With respect to Guarantors incorporated in Luxembourg, even if the Luxembourg law dated August 10, 1915 on commercial companies, as amended, does not provide for rules governing the ability of a Luxembourg company to guarantee the indebtedness of another entity of the same group, it is generally held that within a group of companies, in the context of a group of related companies, the existence of a group interest in granting up-stream or cross-stream assistance under any form (including under the form of guarantee or security) to other group companies could constitute sufficient corporate benefit to enable a Luxembourg company to grant such guarantee or security, provided that the following conditions are met (and in any event subject to all the factual circumstances of the matter): (i) such guarantee or security must be given for the purpose of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group; (ii) the commitment to grant such guarantee or security must not be without consideration and such commitment must not be manifestly disproportionate in view of the obligations entered into by other group companies and (iii) such guarantee or security granted or any other financial commitments must not exceed the financial capabilities of the committing company.

Although the existence of a corporate interest in the granting of a guarantee on a group level is certainly important, the mere existence of such a group interest does not compensate for a lack of corporate interest for one or more of the companies of the group taken individually. The concept of corporate interest is of particular importance in the context of misuse of corporate assets provided by Article 1500-11 of the Luxembourg Companies Law.

A guarantee not satisfying these criteria may be declared null and void by a Luxembourg court, based on the concept of illegal cause (*cause illicite*) and considered as a misuse of corporate assets (*abus de biens sociaux*), and would expose its *de facto* or *de jure* directors or managers to civil or criminal liability.

Any upstream or cross-stream guarantee to be granted by any Guarantor incorporated in Luxembourg will include general limitation language contractually limiting its financial exposure under its guarantee to a certain percentage of, among others, the amount of the sum of its net assets (*capitaux propres*) and its subordinated debt (*dettes subordonnées*).

Security Interest Considerations

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg and bearer securities physically located in Luxembourg.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Financial Collateral Law governs the creation, validity, perfection and enforcement of pledges over shares, bank accounts and receivables located or deemed to be located in Luxembourg. A judgment of the European Court of Justice dated November 10, 2016 in Case C-156/15 relating to a pledge over monies deposited to a current account, has held that Directive 2002/47/EC of June 6, 2002 on financial collateral arrangements, confers to the pledgee the right to enforce the collateral, notwithstanding the commencement of insolvency proceedings in respect of the pledgor, only if, (i) the monies covered by the collateral were deposited in the account in question before the commencement of those proceedings or those monies were deposited in such account on the day of commencement, the pledgor having proved that it was not aware, nor should have been aware, that those proceedings had commenced and (ii) the account holder was prevented from disposing of those monies after they had been deposited in that account.

Under the Financial Collateral Law, the perfection of security interests depends on certain registration, notification and acceptance requirements. A share pledge over registered shares in a Luxembourg company must be (i) acknowledged and accepted by the Luxembourg company which has issued the shares (subject to the pledge) and (ii) registered in the shareholders' register of such company. If future shares are pledged, the perfection of such pledge will require additional registration in the shareholders' register of such Luxembourg company. A pledge under a receivables pledge agreement will be validly created and perfected provided that the pledge under such receivables pledge agreement is executed by the parties thereto. However, if the debtor has not been notified of such receivables pledge or if it did not otherwise acquire knowledge of the pledge, it will be validly discharged of its obligations if it pays the pledgor. A bank account pledge agreement must be notified to and accepted by the account bank so as to ensure that the account bank has waived any pre-existing security interests and other rights in respect of the relevant account. If (future) bank accounts are pledged, such additional notification to, acceptance and waiver by the account bank will be required. If the security interest is not perfected, the holder of the security interest may have difficulty enforcing its rights in the collateral against third parties. In addition, since the ranking of pledges is determined by the date on which they became enforceable against third parties, a security interest created on a later date over the same collateral, but which becomes enforceable against third parties earlier has priority.

Article 11 of the Financial Collateral Law sets out, among others and in particular, the following enforcement remedies in relation to pledges available upon the occurrence of an enforcement event:

- the direct appropriation or appropriation by a third party of pledged assets at a price determined, before or after appropriation, by the valuation method agreed by the parties;

- the sale of the pledged assets (i) in a private transaction on commercially reasonable terms (*conditions commerciales normales*), (ii) by a public sale at the stock exchange or (iii) by way of a public auction;

- the court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court appointed expert; or

- the set off between the secured obligations and the pledged assets.

As the Financial Collateral Law does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses and (iv) the possible need to involve third parties, such as, courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The timing of the enforcement will depend on the practical steps needed to enforce the security. No legal proceedings are required for most enforcement methods and Luxembourg courts have rejected actions introduced by collateral providers aiming at delaying the enforcement. Indeed, according to Luxembourg case law, the enforcement of security interests governed by the Financial Collateral Law cannot be stopped by summary proceedings (*procédure en référé*), only actions for liability can be initiated afterwards by the pledgor (*constituant du gage*) against the pledgee (*créancier gagiste*).

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Except as provided in Article 20.4 of the Financial Collateral Law, a third party creditor may seek the forced sale of the assets of the pledgor which are subject to such security through court proceedings, although the beneficiaries under the relevant pledge or security documents will remain entitled to priority over the proceeds of such sale.

Under Luxembourg law, security interests qualifying as financial collateral arrangements under the Financial Collateral Law may be granted in favor of a person acting on behalf of the beneficiaries of such security interests, a fiduciary or a trustee as a security for the claims of third party beneficiaries, present or future, to the extent that such third party beneficiaries are or may be determined.

Foreign law governed security interests and the powers of any receivers/administrators may not be enforceable in respect of assets located or deemed to be located in Luxembourg, save as provided in the Financial Collateral Law. Security interests/arrangements, which are not expressly recognized under Luxembourg law, and the powers of any receivers/administrators might not be recognized or enforced by the Luxembourg courts, in particular where the Luxembourg security grantor becomes subject to Luxembourg insolvency proceedings or where the Luxembourg courts otherwise have jurisdiction because of the actual deemed location of the relevant rights or assets, except if "main insolvency proceedings" (as defined in the EU Insolvency Regulation) are opened under Luxembourg law and such security interests/arrangements constitute rights *in rem* over assets located in another Member State in which the EU Insolvency Regulation applies, and in accordance Article 8 of the EU Insolvency Regulation.

Registration in Luxembourg

The registration of the Exchange Notes with the *Administration de l'Enregistrement et des Domaines et de la TVA* may be required if the Exchange Notes are (i) enclosed to a compulsory registrable deed under Luxembourg law (*acte obligatoirement enregistrable*) or (ii) deposited with the official records of a notary (*déposé au rang des minutes d'un notaire*). In such case, as well as in case of voluntary registration (*présentation à l'enregistrement*) of the Exchange Notes before the Registration and Estates Department (*Administration de l'enregistrement des domaines et de la TVA*) in Luxembourg, either a nominal registration duty or an *ad valorem* duty will be payable depending on the nature of the document to be registered.

The Luxembourg courts or the official Luxembourg authority may require that the transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

LEGAL MATTERS

Certain legal matters relating to the validity of the Exchange Notes and the Note Guarantees will be passed upon for us by Simpson Thacher & Bartlett LLP as to matters of U.S. Federal and New York State law and as to matters of English law, by PLMJ Advogados, SP, RL as to matters of Portuguese law, by Baker & McKenzie Amsterdam N.V. as to matters of Dutch law, by Allen Overy Shearman Sterling as to matters of Italian law, by Matheson as to matters of Irish law, by Bedell Cristin Guernsey Partnership as to matters of Guernsey laws, by Mourant Ozannes (Jersey) LLP as to matters of Jersey law and Elvinger Hoss Prussen, *société anonyme* as to matters of Luxembourg law.

Certain legal matters in connection with this Exchange Offer will be passed upon for the Dealer Managers by Cravath, Swaine & Moore LLP as to matters of U.S. Federal and New York State law and as to matters of English law, by NautaDutilh N.V. as to matters of Dutch law, by Appleby (Guernsey) LLP as to matters of Guernsey law, by Ogier (Jersey) LLP as to matters of Jersey law and Loyens & Loeff Luxembourg SARL as to matters of Luxembourg law.

INDEPENDENT AUDITORS

The financial statements of Arrow Group Global Limited (previously known as Arrow Group Global plc) as of and for the year ended December 31, 2021 and the financial statements of Sherwood Parentco Limited as of and for the years ended December 31, 2021, 2022 and 2023, included in this Exchange Offer Memorandum, have been audited by KPMG LLP, independent auditors, as stated in their reports appearing herein. KPMG LLP is a current member of the Institute of Chartered Accountants in England and Wales.

KPMG LLP has given and not withdrawn their consent for their reports to be included in the listing particulars in the form and context in which they are included for purposes of the listing of the Exchange Notes on the Official List of the Exchange in accordance with its rules. A consent under the listing rules of the Exchange is different from a consent filed with the SEC under Section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act.

As the Exchange Notes have not been and will not be registered under the Securities Act, KPMG LLP has not filed a consent under Section 7 of the Securities Act.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public limited company incorporated in England and Wales and its registered office is in England and Wales. The Issuer and the Guarantors are incorporated in, and have their respective principal executive offices or registered offices, as applicable, in England and Wales, Jersey, Guernsey, the Netherlands, Luxembourg and Portugal. All of the directors and the executive officers of the Issuer and the Guarantors are non-residents of the United States. The assets of the Issuer and the Guarantors and the assets of their directors and executive officers, are located outside the United States. It may not be possible for investors to effect service of process within the United States upon the Issuer, a Guarantor or such persons or to enforce against any of the judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States, and there is uncertainty as to the recognition and enforceability in England and Wales, Jersey, Guernsey, the Netherlands and Portugal of civil liabilities predicated upon the federal securities laws of the United States (or any state or other jurisdiction thereof), either in original actions or in actions for enforcement of judgments of U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

England and Wales

The United States and the United Kingdom currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court and/or enforce a judgment, provided that (subject to what is described below) and it would usually be possible to obtain summary judgment on such a claim (assuming that the defense to it has no real prospect of success and there is no other compelling reason for trial).

Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had, at the time when proceedings were served, jurisdiction over the original proceedings according to English conflict 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 definite sum of money; and
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature or in respect of a penalty or fine or otherwise based on a U.S. law that an English court considers to relate to penal, revenue or other public law.

An English court may refuse to enforce such a judgment if the judgment debtor satisfies the court that:

- the U.S. judgment contravenes English public policy;
- the U.S. judgment has been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, is otherwise specified in Section 5 of the Protection of Trading Interests Act 1980 or is based on measures designated by the Secretary of State under Section 1 of the Act;
- the U.S. judgment has been obtained by fraud or in breach of English principles of natural or substantial justice;
- the U.S. judgment is a judgment on a matter previously determined by an English court or another court whose judgment is entitled to recognition in England or conflicts with an earlier judgment of such court;
- the English enforcement proceedings were not commenced within the relevant limitation period; or

- the U.S. judgment was obtained contrary to an agreement for the settlement of disputes under which the dispute in question was to be settled otherwise than by proceedings in a United States court (to whose jurisdiction the judgment debtor did not submit).

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

The Netherlands

Certain of the Guarantors are incorporated under Dutch law and have their registered seat in the Netherlands (the "**Dutch Guarantors**"). Civil liabilities based on the laws of the United States may not be enforceable in the Netherlands, either in an original action or in an action to enforce a judgment obtained in U.S. courts.

The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent Dutch court. However, a final and enforceable judgment rendered by the relevant federal or state court in the United States against any of the Dutch Guarantors with respect to its payment obligations would generally be upheld and be regarded by a Dutch court of competent jurisdiction as conclusive evidence when requested to render a judgment in accordance with that judgment by the relevant federal or state court in the United States, without substantive re-examination or re litigation of the merits of the subject matter thereof, if the Dutch court finds that (i) the jurisdiction of the relevant federal or state court in the United States is based on international acceptable standards, (ii) the judgment was rendered in legal proceedings that comply with the standards of the proper administration of justice that includes sufficient safeguards (*behoorlijke rechtspleging*), (iii) the recognition of that judgment does not contravene with Dutch public policy (*openbare orde*), and (iv) the judgment is not irreconcilable with a judgment of a Dutch court given between the same parties, or with an earlier judgment of a foreign court given between the same parties in a dispute involving the same cause of action and subject matter, provided that such earlier judgment fulfils the conditions necessary for it to be given effect in the Netherlands. Notwithstanding the above, even if a judgment of a court in the United States is given conclusive effect, a claim based thereon may, however, still be rejected if the judgment is no longer enforceable. Moreover, if a judgment of a court in the United States is not final (for instance when appeal is possible or pending) a competent Dutch court may postpone recognition until such judgment will have become final, refuse recognition under the understanding that recognition can be asked again once such judgment of the court of the United States will have become final, or impose as a condition for recognition that security is posted.

Subject to the foregoing and provided that service of process occurs in accordance with applicable treaties, investors may be able to enforce in the Netherlands judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that such judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities laws.

Any enforcement of agreements governed by foreign law and any foreign judgments in the Netherlands will be subject to the rules of Dutch civil procedure. Judgments may be rendered in a foreign currency but enforcement is executed in euros at the applicable rate of exchange.

Enforcement of obligations in the Netherlands will be subject to the nature of the remedies available in the courts of the Netherlands. Under certain circumstances, a Dutch court has the power to stay proceedings (*aanhouden*) or to declare that it has no jurisdiction, if concurrent proceedings are being brought elsewhere.

A Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses and damages.

Guernsey

The U.S. and Guernsey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters.

In Guernsey, foreign judgments can be recognized by the Royal Court of Guernsey (the "**Guernsey Court**") either under the Judgments (Reciprocal Enforcement) (Guernsey) Law, 1957, as amended (the "**1957 Law**"), which provides a statutory framework for the enforcement of judgments made in a reciprocating country and of a kind to which the 1957 Law applies, or under the principles of common law. Save for very exceptional and limited circumstances, if the 1957 Law does not apply then the common law prevails.

For jurisdictions not included in the 1957 Law, including the U.S., a judgment obtained in a court in the U.S. against a Guernsey company (or its directors or officers) cannot be registered or enforced in Guernsey, pursuant to the 1957 Law, but may be enforceable by separate action on the judgment in accordance with Guernsey common law rules.

To enforce the judgment of a court of the U.S. in Guernsey, the claimant would be required to bring fresh proceedings before the Guernsey Court, suing on the foreign judgment itself and applying for summary judgment if the case is placed on the pleadings list (essentially, where the case is defended). In such an action, the Guernsey Court is unlikely to re-examine the merits of the original case decided by a U.S. court.

According to current practice, the Guernsey Court will (subject to the following matters) enforce the judgment of a court in the United States in *in personam* proceedings provided that the following conditions *inter alia* are satisfied:

(a) the judgment is for a debt or fixed or ascertainable sum of money (provided that the judgment does not relate to U.S. penal, revenue or other public laws);

(b) the judgment is final and conclusive; and

(c) the court in the U.S. had, at the time when proceedings were served, jurisdiction over the judgment debtor in accordance with the Guernsey rules of private international law.

The Guernsey Court will not, however, enforce that judgment if the judgment debtor satisfies the Guernsey Court that:

(a) the judgment was given in proceedings that were in breach of principles of natural or substantial justice;

(b) enforcement of the judgment would be contrary to Guernsey public policy;

(c) the foreign court did not have jurisdiction to give that judgment according to Guernsey rules on the conflict of laws;

(d) there was fraud on the part of the U.S. court pronouncing judgment;

(e) there was fraud on the part of the party in whose favor the judgment was given;

(f) enforcement proceedings are time barred under the Guernsey laws on prescription/limitation;

(g) the foreign judgment is not for a definite sum of money (which is not a sum in respect of taxes or penalties) or is not final and conclusive;

(h) the foreign judgment was against a person who was entitled to immunity from the courts of that country; and

(i) the foreign court had no jurisdiction in circumstances where the judgment debtor was, at the time the proceedings were instituted, present in the foreign country and the bringing of proceedings in that U.S. court was contrary to an agreement under which the dispute was to be settled and the judgment debtor did not agree to the proceedings being brought in that U.S. court, nor counterclaimed or otherwise submitted to the jurisdiction.

If the Guernsey Court gives judgment for the sum payable under a judgment of a United States court, the Guernsey judgment would be enforceable by the methods generally available for the enforcement of Guernsey judgments. These give the Guernsey Court discretion whether to allow enforcement by any particular method. In addition, it may not be possible to obtain a Guernsey judgment or to enforce any Guernsey judgment: if the judgment debtor is subject to any insolvent administration or similar proceedings; if there is delay; if an appeal is pending or anticipated against the Guernsey judgment in Guernsey or against the foreign judgment in the courts of the United States; or if the judgment debtor has any set-off or counterclaim against the judgment creditor. Additionally, any security interest may affect the circumstances where the Guernsey Court provides judicial assistance to persons empowered under foreign bankruptcy law to act on behalf of an insolvent company and/or in relation to the enforcement of a judgment debt.

Jurisdiction

A foreign court is considered to have jurisdiction where one of four criteria is met, being any of the following:

(a) where the respondent to the order sought to be enforced was, at the time the proceedings were instituted, present in the foreign jurisdiction (and where that "person" is a corporate entity, where it is resident or maintains a fixed place of business in the foreign jurisdiction);

(b) where the respondent to the order sought to be enforced was a claimant or counterclaimant in the proceedings in the foreign court;

(c) where the respondent to the order sought to be enforced submitted to the jurisdiction of the foreign court by voluntarily appearing in the proceedings; or

(d) where the respondent to the order sought to be enforced agreed, prior to the commencement of the proceedings, to submit to the jurisdiction of the foreign court.

Sum of Money

It is a generally accepted principle of common law in Guernsey that for the Guernsey Court to recognize a foreign judgment, that judgment needs to be for a definite sum of money and must not include deductions or additions for unspecified amounts such as tax, nor can it include penalties.

Final and Conclusive

A foreign judgment which is final and conclusive, for the purposes of recognition under Guernsey common law, is one which cannot be varied by the court which pronounced it, notwithstanding that there may be a right of appeal.

Jersey

The following is a summary with respect to the enforceability of certain U.S. court judgments in Jersey.

The United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, a Jersey court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to the qualifications below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no valid defense to it).

Recognition and enforcement of a U.S. judgment by a Jersey court in such an action is conditional upon (among other things) the following:

(a) the U.S. court having had jurisdiction over the original proceedings according to Jersey conflict of laws principles;

(b) the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money (although there are circumstances where non-money judgments can also be recognized);

(c) the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;

(d) the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983);

(e) the recognition and enforcement of the U.S. judgment is not contrary to public policy in Jersey, including that the judgment was not obtained by fraud or duress and the observance of the principles of natural justice which require that documents in the U.S. proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal; and

(f) there being no earlier judgment of another court of competent jurisdiction between the same parties on the same issues as are dealt with in the judgment to be enforced.

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

Portugal

Whitestar Asset Solutions, S.A. and AGHL Portugal Investments Holdings, S.A. are incorporated under Portuguese law and have their registered offices in Portugal. Civil liabilities based on the securities laws of the United States may not be enforceable in Portugal, either in an original action or in an action to enforce a judgment obtained in U.S. courts.

The U.S. and Portugal currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in Portugal. In order to enforce any such U.S. judgment in Portugal, the claim must be re-litigated before a Portuguese court. The competent court for the review and confirmation in Portugal of a foreign decision is the Portuguese Court of Appeal with jurisdiction in the area where the person against whom the foreign decision is to be enforced is domiciled. However, a final and enforceable judgment rendered by the relevant federal or state court in the United States against each of Whitestar Asset Solutions, S.A. or AGHL Portugal Investments Holdings, S.A. with respect to their payment obligations would generally be upheld and be regarded by a Portuguese court of competent jurisdiction as conclusive evidence when requested to render a judgment in accordance with that judgment by the relevant federal or state court in the United States, without substantive re-examination or re-litigation of the merits of the subject matter thereof, if the following requirements are verified: (i) the judgment is final, translated into Portuguese and apostilled and no doubts exist about the authenticity of the document and the contents of the judgment; (ii) the judgment shall not be contrary to Portuguese public policy and the obligation that the petitioner tries to execute has to be lawful in Portugal; (iii) there shall not be a pending proceeding between the same parties and in relation to the same issues in Portugal; (iv) there shall not be a judgment rendered between the same parties and for the same cause of action in Portugal or in another country; (v) the matters under discussion are not related to matters in which the Portuguese courts consider themselves exclusively competent and the competency of such foreign courts is not obtained by unlawfully circumventing applicable rules; and (vi) the rights of defense of the defendant should have been protected when rendering the foreign judgment (*princípio do contraditório*), including but not limited to a proper service of process carried out with sufficient time for the defendant to prepare its defense and appear before the courts and notification (*citação*), and with respect for the principle of equal treatment of the parties.

Subject to the foregoing and provided that service of process occurs in accordance with applicable treaties, investors may be able to enforce in Portugal judgments in civil and commercial matters obtained from

U.S. federal or state courts. However, no assurance can be given that such judgments will be enforceable. In addition, it is doubtful whether a Portuguese court would accept jurisdiction and impose civil liability in an original action commenced in Portugal and predicated solely upon U.S. federal securities laws.

Any enforcement of agreements governed by foreign law and any foreign judgments in Portugal will be subject to the rules of Portuguese civil procedure. Judgments may be rendered in a foreign currency but enforcement is executed in euros at the applicable rate of exchange.

Luxembourg

We have been advised by Elvinger Hoss Prussen, *société anonyme*, our Luxembourg counsel, that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Articles 678 *et seq*. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*) and Luxembourg case law, being:

- the U.S. judgment is enforceable (*exécutoire*) in the United States;
- the U.S. court must not infringe the exclusive jurisdiction of the Luxembourg courts and there must be an actual link (*lien caractérisé*) between the case and the U.S. court, both in compliance with Luxembourg private international law rules;
- the U.S. judgment must not contain contradictions with an existing Luxembourg court order or contravene overriding mandatory provisions of Luxembourg law;
- the U.S. judgment must not been obtained fraudulently but in compliance with the principles of natural justice and the decision must have been granted in compliance with the rights of the defendant to appear and the right of a fair trial, and if the defendant appeared, to present its defense; and
- the considerations of the foreign order, as well as the judgment, do not contravene international public policy as understood under the laws of Luxembourg or have been given in proceedings of a penal, criminal or tax nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal or state securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)) or rendered subsequent to an evasion of Luxembourg law or jurisdiction (*fraude à la loi*). Ordinarily an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages, such punitive damages may be considered as a penalty.

Subject to the above conditions, Luxembourg courts tend not to review the merits of judgments rendered by U.S. courts even though there is no statutory prohibition of such review.

In case of court proceedings in a Luxembourg court, the Luxembourg court may require that the judgment obtained in a U.S. court and the enforcement of which is sought in Luxembourg be translated into French, German or Luxembourgish.

We have been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, without prejudice to specific conflict of laws rules, Luxembourg courts may refuse to apply the designated law (i) if the choice of such law was not made *bona fide*, (ii) if the foreign law was not pleaded and proved and (iii) if its contrary to the overriding mandatory rules of Luxembourg law or its application contravenes Luxembourg public policy or is manifestly incompatible with Luxembourg international policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, *exequatur* may be refused in respect of punitive damages.

In a judgment of the Luxembourg District Court, dated January 10, 2008, the District Court differed slightly from the traditional rules for enforcing a judgment described above, and decided that, in order to enforce a foreign judgment in Luxembourg, a Luxembourg judge must make sure that three conditions are fulfilled: (i) the “indirect” competence of the foreign judge based on the connection of the litigation with such judge; (ii) the conformity with international public policy requirements, both substantive and procedural and (iii) the absence of fraud to the law. In the judgment, the District Court held that the Luxembourg judge does not need to verify that the (substantive) law, applied by the foreign judge, is the law which would have been applicable according to Luxembourg conflict of law rules.

Whether the District Court’s opinion described above will develop into the prevailing position of Luxembourg case law cannot be forecasted with certainty at this stage, especially considering that there has been limited case law on the issue since then. To the extent that the District Court’s decision endorses the solution currently prevailing in French case law, such decision might, in the future, be endorsed by the Luxembourg courts in general.

Furthermore, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give judgment expressed as an order to pay in a currency other than euro. However, enforcement of the judgment against any party in Luxembourg would be available only in euro, and for such purposes, all claims or debts would be converted into euro.

LISTING AND GENERAL INFORMATION

Clearing Information

The Exchange Notes are expected to be accepted for clearance and settlement through the facilities of Euroclear and Clearstream.

Legal Information

Issuer

Sherwood Financing plc, a direct financing subsidiary of the Parent and an indirect subsidiary of Midco, was incorporated on July 6, 2021, as a public limited company under the Companies Act of 2006 under the laws of England and Wales and registered at Companies House under registration number 13497082. Its registered office is at Belvedere, 12 Booth Street, Manchester, United Kingdom, M2 4AW and the objects for which it is formed are unrestricted, as defined in the Companies Act 2006.

As of the date of this Exchange Offer Memorandum, the Issuer's share capital consisted of 50,000 ordinary shares with a nominal value of £1.00 each, all fully paid up and issued, with a total value of £50,000.

The creation and issuance of the Exchange Notes have been authorized by resolutions of the Issuer on November 19, 2024.

Guarantors

Sherwood Parentco Limited, or the Parent, was incorporated on March 29, 2021 as a private limited company under the laws of England and Wales and registered at Companies House under registration number 13299333. The registered address of the Parent is Belvedere, 12 Booth Street, Manchester, M2 4AW. As of the date of this Exchange Offer Memorandum, the Parent's share capital consisted of 166,813,368 ordinary shares with nominal value of £1.00 each, all fully paid up and issued, with a total value of £512,951,970.14. The Parent was authorized to act as Guarantor by resolutions of the Parent on October 15, 2021.

Sherwood Financing 2 Limited, or Finco, was incorporated on July 29, 2021 as a private limited company under the laws of England and Wales and registered at Companies House under registration number 13538711. The registered address of Finco is Belvedere, 12 Booth Street, Manchester, M2 4AW and it was established by the Parent for the purpose of facilitating the Transactions. As of the date of this Exchange Offer Memorandum, Finco's share capital consisted of 1 ordinary share with a nominal value of £1.00, fully paid up and issued, with a value of £1.00. Finco was authorized to act as Guarantor by resolutions of Finco on October 15, 2021.

Sherwood Acquisitions Limited, or Bidco, was incorporated on March 29, 2021 as a private limited company under the laws of England and Wales and registered at Companies House under registration number 13299321. The registered address of Bidco is Belvedere, 12 Booth Street, Manchester, M2 4AW. Bidco was formed for the purpose of carrying out activities relevant to a holding company. As of the date of this Exchange Offer Memorandum, Bidco's share capital consisted of 166,813,368 ordinary shares with nominal value of £1.00 each, all fully paid up and issued, with a total value of £512,951,970.14. Bidco was authorized to act as Guarantor by resolutions of the Bidco on October 15, 2021.

Arrow Global Group Limited (formerly known as Arrow Global Group plc) is a wholly owned subsidiary of Bidco. The registered address of Arrow Global Group Limited (formerly known as Arrow Global Group plc) is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow Global One Limited was incorporated as a private limited company under the laws of England and Wales on August 14, 2013. Arrow Global One Limited is a wholly owned subsidiary of Arrow Global Group Limited (formerly known as Arrow Global Group plc). The registered address of Arrow Global One Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow Global Guernsey Holdings Limited was incorporated as a non-cellular company under the laws of Guernsey on October 8, 2008. Arrow Global Guernsey Holdings Limited is a wholly owned subsidiary of Arrow Global One Limited. The registered address of Arrow Global Guernsey Holdings Limited is North Suite, First Floor, Regency Court, Glategny South Esplanade St Peter Port, Guernsey, GY1 1WW.

Arrow Global Investments Holdings Limited was incorporated as a private limited company under the laws of England and Wales on April 17, 2008. Arrow Global Investments Holdings Limited is a wholly owned subsidiary of Arrow Global Guernsey Holdings Limited. The registered address of Arrow Global Investments Holdings Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow Global (Holdings) Limited was incorporated as a private limited company under the laws of England and Wales on October 28, 2005. Arrow Global (Holdings) Limited is a wholly owned subsidiary of Arrow Global Investments Holdings Limited. The registered address of Arrow Global Investments Holdings Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow Global Limited was incorporated as a private limited company under the laws of England and Wales on October 28, 2005. Arrow Global Limited is a wholly owned subsidiary of Arrow Global (Holdings) Limited. The registered address of Arrow Global Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow Global Investments Holdings Benelux B.V. was incorporated as a private company with limited liability under the laws of the Netherlands on May 1, 2006. Arrow Global Investments Holdings Benelux B.V. is a wholly owned subsidiary of Arrow Global Investments Holdings Limited. The registered address of Arrow Global Investments Holdings Benelux B.V. is Van Asch van Wijckstraat 55, 3811 LP Amersfoort.

Fiditon Holding B.V. was incorporated as a private company with limited liability under the laws of the Netherlands on November 1, 2007. Fiditon Holding B.V. is a wholly owned subsidiary of Arrow Global Investments Holdings Benelux B.V. The registered address of Fiditon Holding B.V. is Van Asch van Wijckstraat 55, 3811 LP Amersfoort.

Incassobureau Fiditon B.V. was incorporated as a private company with limited liability under the laws of the Netherlands on May 18, 1982. Incassobureau Fiditon B.V. is a wholly owned subsidiary of Fiditon Holding B.V. The registered address of Incassobureau Fiditon B.V. is Van Asch van Wijckstraat 55, 3811 LP Amersfoort.

Arrow SMA LP Limited was incorporated as a private limited company under the laws of England and Wales on October 21, 2019 with registered number 12272894. Arrow SMA LP Limited is a wholly owned subsidiary of Arrow Global Investments Holdings Limited. The registered address of Arrow SMA LP Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow SMA GP Limited was incorporated as a private limited company under the laws of Jersey on December 4, 2019 with registered number 130462. Arrow SMA GP Limited is a wholly owned subsidiary of Arrow SMA LP Limited. The registered address of Arrow SMA GP Limited is 27 Esplanade, St Helier Jersey JE1 1SG.

Arrow Global SMA I LP was established as a limited partnership under the laws of Jersey on December 10, 2019 with registered number 3136. The general partner of Arrow Global SMA I LP is Arrow SMA GP Limited, and the limited partner of Arrow Global SMA I LP is Arrow SMA LP Limited. The registered address of Arrow Global SMA I LP is 27 Esplanade, St Helier Jersey JE1 1SG.

AGHL Portugal Investments Holdings, S.A. was incorporated as a public limited company under the laws of the Portugal on March 27, 2015. AGHL Portugal Investments Holdings, S.A. is a wholly owned subsidiary of Arrow Global Investments Holdings Limited. The registered address of AGHL Portugal Investments Holdings, S.A. is Edifício D. Sebastião, Rua Quinta do Quintã, no. 6, Quinta da Fonte, Oeiras, Portugal.

Whitestar Asset Solutions, S.A. was incorporated as a public limited company under the laws of the Portugal on March 29, 2007. Whitestar Asset Solutions, S.A. is a wholly owned subsidiary of AGHL Portugal Investments Holdings, S.A. The registered address of Whitestar Asset Solutions, S.A. is Avenida Almirante Gago Coutinho, no. 30, piso 0, Lisbon, Portugal.

Arrow Global Luxembourg Holding S.à r.l. was incorporated as a private limited liability company (*société à responsabilité limitée*) under the laws of Luxembourg on June 21, 2022. Arrow Global Luxembourg Holding S.à r.l. is a wholly owned subsidiary of Arrow Global Investments Holdings Limited. The registered address of Arrow Global Luxembourg Holding S.à r.l. is 5, Place de la Gare, L-1616 Luxembourg, Grand Duchy of Luxembourg. Arrow Global Luxembourg Holding S.à r.l. is registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B269389.

Periodic Reporting Under the Exchange Act

The Issuer is currently not subject to the periodic reporting and other information requirements of the Exchange Act.

INDEX TO FINANCIAL STATEMENTS

REGISTERED OFFICE OF THE ISSUER

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Belvedere
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United Kingdom

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EXISTING NOTES TRUSTEE AND NEW NOTES TRUSTEE	**SECURITY AGENT**	**PAYING AGENT, CALCULATION AGENT, TRANSFER AGENT AND REGISTRAR**
GLAS Trust Company LLC 3 Second Street, Suite 206 Jersey City, NJ 07311 United States of America	**GLAS Trust Corporation Limited** 55 Ludgate Hill, Level 1, West London EC4M 7JW United Kingdom	**GLAS Trust Company LLC** 3 Second Street, Suite 206 Jersey City, NJ 07311 United States of America

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Sherwood Parentco Limited

Consolidated financial statements for the nine months ended September 30, 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 September 2024

	Notes	Unaudited 9-months to 30 September 2024 £000	Unaudited 9-months to 30 September 2023 £000
Continuing operations			
Income from portfolio investments at amortised cost	11	33,879	41,621
Fair value gains on portfolio investments at FVTPL	11	40,564	25,180
Impairment gains/(losses) on portfolio investments	11	1,404	(7,198)
Income/(losses) from portfolio investments - real estate inventories	11	2,066	(79)
Share of profit in portfolio joint venture		8,922	3,274
Total income from portfolio investments		**86,835**	**62,798**
Integrated fund and asset management income	6	193,309	140,405
Profit on disposal of held for sale assets and liabilities		-	11,944
Other income		1,660	1,040
Total income		**281,804**	**216,187**
Operating expenses:			
Fund management and collection activity costs	8	(96,794)	(97,883)
Other operating expenses	8	(141,116)	(142,849)
Total operating expenses		**(237,910)**	**(240,732)**
Operating profit/(loss)		**43,894**	**(24,545)**
Derivative fair value movements		-	12,018
Finance income		258	472
Finance costs		(80,614)	(77,460)
Share of profit in associate		-	3,089
Loss before tax[1]		**(36,462)**	**(86,425)**
Taxation credit on ordinary activities	7	3,166	11,383
Loss after tax		**(33,296)**	**(75,042)**

[1] *The loss before tax of £36,462,000 for the 9-month period to 30 September 2024 (Q3 2023: £86,425,000), includes £29,043,000 of net adjusting costs (Q3 2023: £44,200,000), with an underlying loss before tax of £7,419,000 (Q3 2023: £42,225,000 underlying loss). For the reconciliation to the underlying consolidated profit and loss, please see the reconciliations on page 33.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Unaudited 9-months to 30 September 2024	Unaudited 9-months to 30 September 2023
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign exchange translation difference arising on revaluation of foreign operations	(2,080)	(159)
Movement on the hedging reserve	(448)	1,707
Total comprehensive loss for the period	**(35,824)**	**(73,494)**
Loss attributable to:		
Owners of the Company	(33,170)	(75,838)
Non-controlling interest	(126)	796
	(33,296)	**(75,042)**
Comprehensive loss attributable to:		
Owners of the Company	(35,698)	(74,290)
Non-controlling interest	(126)	796
	(35,824)	**(73,494)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2024

Assets	Note	Unaudited 30 September 2024 £000	Audited 31 December 2023 £000
Cash and cash equivalents		91,048	114,683
Derivative assets		108	558
Trade and other receivables	10	128,725	86,277
Portfolio investments – amortised cost	11	260,770	323,827
Portfolio investments – FVTPL	11	383,603	380,977
Portfolio investments – real estate inventories	11	13,958	54,588
Portfolio investments – joint venture	11	81,514	87,253
Property, plant and equipment		28,684	30,010
Intangible assets		106,897	118,632
Deferred tax asset		10,222	6,610
Current tax asset		1,772	1,759
Investment in Associate		-	321
Goodwill	9	747,166	745,109
Total assets		**1,854,467**	**1,950,604**
Liabilities			
Bank overdrafts	14	6,135	6,214
Revolving credit facility	14	146,073	157,592
Derivative liability		2,760	2,381
Trade and other payables	12	172,428	186,663
Other borrowings	14	15,721	24,482
Senior secured notes	14	1,222,713	1,246,132
Deferred tax liability		17,453	19,827
Total liabilities		**1,583,283**	**1,643,291**
Equity			
Share capital		166,813	166,813
Share premium		419,609	419,609
Retained deficit		(316,215)	(283,657)
Hedging reserve		(1,695)	(1,247)
Other reserves		956	3,036
Total equity attributable to shareholders		**269,468**	**304,554**
Non-controlling interest		1,716	2,759
Total equity		**271,184**	**307,313**
Total equity and liabilities		**1,854,467**	**1,950,604**

The interim results were approved on 21 November 2024 by the board of directors and are signed on its behalf by:

Philip Shepherd
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2024

	Ordinary shares £000	Share Premium £000	Retained earnings £000	Hedging reserve £000	Translation reserve £000	Total £000	Non-controlling interest £000	Total £000
Balance at 1 January 2023	166,813	410,859	(156,428)	556	2,829	424,629	2,819	427,448
Loss after tax	-	-	(75,838)	-	-	(75,838)	796	(75,042)
Exchange differences	-	-	-	-	(159)	(159)	-	(159)
Net fair value gains - cash flow hedges	-	-	-	2,276	-	2,276	-	2,276
Tax on hedged items	-	-	-	(569)	-	(569)	-	(569)
Total comprehensive loss for the period	-	-	(75,838)	1,707	(159)	(74,290)	796	(73,494)
Shares issued	-	8,750	-	-	-	8,750	-	8,750
Balance at 30 September 2023 (unaudited)	166,813	419,609	(232,266)	2,263	2,670	359,089	3,615	362,704
Loss after tax	-	-	(50,129)	-	-	(50,129)	(102)	(50,231)
Exchange differences	-	-	-	-	366	366	-	366
Net fair value losses - cash flow hedges	-	-	-	(4,679)	-	(4,679)	-	(4,679)
Tax on hedged items	-	-	-	1,169	-	1,169	-	1,169
Total comprehensive income/(loss) for the period	-	-	(50,129)	(3,510)	366	(53,273)	(102)	(53,375)
Shares issued	-	-	-	-	-	-	-	-
Acquisition of non-controlling interest	-	-	(1,262)	-	-	(1,262)	(754)	(2016)
Balance at 31 December 2023 (audited)	166,813	419,609	(283,657)	(1,247)	3,036	304,554	2,759	307,313
Loss after tax	-	-	(33,170)	-	-	(33,170)	(126)	(33,296)
Exchange differences	-	-	-	-	(2,080)	(2,080)	-	(2,080)
Net fair value losses - cash flow hedges	-	-	-	(598)	-	(598)	-	(598)
Tax on hedged items	-	-	-	150	-	150	-	150
Total comprehensive (loss)/income for the period	-	-	(33,170)	(448)	(2,080)	(35,698)	(126)	(35,824)
Purchase of non-controlling interest	-	-	612	-	-	612	(687)	(75)
Distribution to NCI	-	-	-	-	-	-	(230)	(230)
Balance at 30 September 2024 (unaudited)	**166,813**	**419,609**	**(316,215)**	**(1,695)**	**956**	**269,468**	**1,716**	**271,184**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2024

	Note	Unaudited 9-month to 30 September 2024 £000	Unaudited 9-months to 30 September 2023 £000
Net cash generated by operating activities	15	**92,181**	**67,961**
Investing activities			
Purchase of property, plant and equipment		(5,088)	(2,971)
Purchase of intangible assets		(10,449)	(5,977)
Proceeds from disposal of intangible assets and property plant and equipment		36	-
Disposal of subsidiary, net of cash		1,590	37,651
Acquisition of an associate		-	(43)
Acquisition of subsidiary, net of cash acquired		(3,946)	(46,492)
Net cash used in investing activities		**(17,857)**	**(17,832)**
Financing activities			
Repayment of RCF and other borrowings		(159,555)	(204,505)
Proceeds from RCF and other borrowings		138,550	160,916
Financing from other Group undertakings		-	10,462
Repayment of asset backed loans		-	(8,296)
Revolving credit facility interest paid		(11,903)	(8,844)
Payment of interest on senior notes		(53,792)	(48,791)
Bank and other similar fees paid		(796)	(654)
Bank interest received		258	472
Lease payments		(5,670)	(4,914)
Payment of dividends to non-controlling interest & shareholders		(230)	-
Net cash flow used in financing activities		**(93,138)**	**(104,154)**
Net decrease in cash and cash equivalents		**(18,814)**	**(54,025)**
Cash and cash equivalents at beginning of period		114,683	143,603
Effect of exchange rates on cash and cash equivalents		(4,821)	951
Cash and cash equivalents at end of period		**91,048**	**90,529**

Included within cash and cash equivalents in £6,855,000 (2023: £14,087,000) of cash, which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date.

Notes to the consolidated interim financial statements

1. General Information

The Company is incorporated in England and Wales. These consolidated interim financial statements (interim financial statements) of the Company as at and for the nine months ended 30 September 2024 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group's principal activity is to identify, acquire, manage and service secured and unsecured loan, real estate and other investment portfolios, through an integrated fund manager model.

2. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2023.

The annual financial statements of the Group are prepared in accordance with UK-adopted IFRS. The interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated annual report for the year ended 31 December 2023.

The comparative figures for the financial year ended 31 December 2023 are not the complete version of the Company's statutory accounts for that financial year. The consolidated financial statements of the Group as at and for the year ended 31 December 2023 are available upon request from the Company's registered office at Belvedere, 12 Booth Street, Manchester, M2 4AW or online https://www.arrowglobal.net/reports. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor:

(i) was unqualified;
(ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and
(iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial statements of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and financial assets at fair value through profit and loss.

These interim financial statements were approved by the board of directors on 21 November 2024.

Going concern

In assessing whether the going concern basis is appropriate to adopt for the Group as at 30 September 2024, the directors have undertaken a thorough review of the latest forecast cash flow models and scenarios for a period in excess of 12 months from the date of approval of these accounts, with the primary focus of detailed forecasting running to 31 December 2025.

Notes to the consolidated interim financial statements (*continued*)

2. Basis of preparation *(continued)*

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. The downside case is based upon the Oxford Economics downside IFRS 9 macroeconomic scenario. This scenario is also used for the Group's IFRS 9 modelling, as well as for modelling potential investment outcomes for LPs. An in-house model is used to translate the Oxford Economics macroeconomic forecasts into forecast outcomes for ERCs. The ERC impact of the downside macroeconomic scenario has been applied to all portfolio collections and income in the model, as well as an across the board decrease in servicing and fund management revenue of the same magnitude. This is then analysed against historical outcomes and associated levels of liquidity and leverage to assess plausibility. Key items considered within each forecast were the future outlook for HPI and default rates, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows. These cash flows were considered against the Group's future liquidity position. Adherence to the Group's leverage covenant was also considered in all scenarios.

The results of this scenario analysis show that in a severe but plausible downside scenario, the Group is able to maintain sufficient liquidity, operate within the banking covenants, and to continue as a going concern.

A reverse stress test has also been prepared to identify the magnitude of a downside stress that needs to occur to cause the group to breach its liquidity headroom and/or leverage covenant. It has been concluded that this represents an overly severe and implausible scenario. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the interim financial statements on a going concern basis

3. Adoption of new standards

No new standards and amendments effective for annual periods beginning after 1 January 2024 are deemed to have a material impact on the results of the Group.

4. Accounting policies, critical accounting judgements and estimates

In preparing these consolidated interim financial statements, management have made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In preparing the interim financial statements, the accounting policies, areas of judgement, estimation and assumptions were the same as those applied in the consolidated financial statements of the Group as at and for the year ended 31 December 2023. The sensitivities disclosed in the consolidated financial statements as at and for the year ended 31 December 2023 are reflective of the sensitivity of the critical estimates as at 30 September 2024.

Notes to the consolidated interim financial statements (*continued*)

5. Segmental reporting

In line with IFRS 8 Operating Segments, the Group reports under three separate reportable segments, being Integrated Fund Management, Balance Sheet and Group. Details of the principal business categories are as follows:

Integrated Fund Management	Income and costs associated with managing debt portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing and collection activities to third parties and income and costs associated with investment and asset management. The combined income from this segment represents the capital-light income of the Group.
Balance Sheet	All portfolio investments that the Group owns, including investments held directly on our balance sheet together with our co-investment made through our discretionary funds, such as ACO 1, ACO 2, and AREO, and the associated income and direct costs of such investments.
Group	Costs not directly associated with the other two segments, but relevant to overall oversight and control of the Group's activities.

These segments represent how the Group manages the wider business, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the Chief Operating Decision Maker.

The Integrated Fund Management segment charges the Balance Sheet segment for servicing and collection of the Group portfolio investments and management and servicing fees in relation to fund management in respect to its investments. This intra-segment charge is calculated on equivalent commercial terms to charging third parties. The intra-segment elimination column below removes such charges.

Notes to the consolidated interim financial statements (*continued*)

5. Segmental reporting (continued)

Period ended 30 September 2024 (unaudited)

	Integrated Fund Management £000	Balance Sheet £000	Group £000	Intra-segment elimination £000	Total exc. adjusting items 30 September 2024 £000	Adjusting items £000	Total inc. adjusting items 30 September 2024 £000
Total income	220,530	90,170	11	(25,572)	285,139	(3,335)	281,804
Collection activity costs	(81,332)	(40,859)	(175)	25,572	(96,794)	–	(96,794)
Gross margin	139,198	49,311	(164)	–	188,345	(3,335)	185,010
Gross margin %	*63.1%*	*54.7%*			*66.1%*		*65.7%*
Other operating expenses excluding depreciation, amortisation and forex	(87,234)	(3,028)	(24,476)	–	(114,738)	(7,181)	(121,919)
EBITDA	**51,964**	**46,283**	**(24,640)**	**–**	**73,607**	**(10,516)**	**63,091**
EBITDA margin %	*23.6%*	*51.3%*			*25.8%*		*22.4%*
Depreciation and amortisation	(6,416)	–	(2,052)	–	(8,468)	(18,381)	(26,849)
Foreign exchange translation gain	–	–	7,652	–	7,652		7,652
Operating profit/(loss)	**45,548**	**46,283**	**(19,040)**	**–**	**72,791**	**(28,897)**	**43,894**
Derivative fair value movements	–	–	–	–	–	–	–
Net finance costs	–	–	(80,210)	–	(80,210)	(146)	(80,356)
Profit/(loss) before tax	**45,548**	**46,283**	**(99,250)**	**–**	**(7,419)**	**(29,043)**	**(36,462)**

Notes to the consolidated interim financial statements (*continued*)

5. Segmental reporting (continued)

Period ended 30 September 2023 (unaudited)

	Integrated Fund Management £000	Balance Sheet £000	Group £000	Intra-segment elimination £000	Total exc. adjusting items 30 September 2023 £000	Adjusting items £000	Total inc. adjusting items 30 September 2023 £000
Total income	156,622	67,700	20	(28,479)	195,863	20,324	216,187
Collection activity costs	(70,723)	(39,869)	(77)	28,479	(82,190)	(15,693)	(97,883)
Gross margin	85,899	27,831	(57)	–	113,673	4,631	118,304
Gross margin %	*54.8%*	*41.1%*			*58.0%*		*54.7%*
Other operating expenses excluding depreciation, amortisation and forex	(56,792)	–	(22,625)	–	(79,417)	(48,797)	(128,214)
EBITDA	**29,107**	**27,831**	**(22,682)**	**–**	**34,256**	**(44,166)**	**(9,910)**
EBITDA margin %	*18.6%*	*41.1%*			*17.5%*		*(4.6)%*
Depreciation and amortisation	(6,147)	–	(1,496)	–	(7,643)	(10,892)	(18,535)
Foreign exchange translation gain	–	–	3,900	–	3,900	–	3,900
Operating profit/(loss)	**22,960**	**27,831**	**(20,278)**	**–**	**30,513**	**(55,058)**	**(24,545)**
Derivative fair value movements	–	–	–	–	–	12,018	12,018
Net finance costs	–	–	(75,827)	–	(75,827)	(1,160)	(76,987)
Share of profit in associate	3,089	–	–	–	3,089	–	3,089
Profit/(loss) before tax	**26,049**	**27,831**	**(96,105)**	**–**	**(42,225)**	**(44,200)**	**(86,425)**

Notes to the consolidated interim financial statements (*continued*)

6. Integrated fund and asset management income

Integrated fund and asset management income is made up of discretionary core strategies from the Groups' integrated fund manager activity, and local and ancillary strategies including third-party and Arrow on-balance sheet investments servicing activity, as described in the following paragraphs.

	Unaudited 9-months to 30 September 2024	Unaudited 9-months to 30 September 2023
	£000	£000
Discretionary core strategy integrated fund manager income:		
External third party	71,692	50,893
Internal income arising on Arrow balance sheet co-invest	3,014	2,263
Total discretionary core strategy income	**74,706**	**53,156**
Local ancillary strategy servicing and asset management income:		
External third party	123,266	77,250
Internal income arising on Arrow back book investments	22,558	26,216
Total local/ancillary strategies income	**145,824**	**103,466**
Total Integrated fund management segmental income	**220,530**	**156,622**

Discretionary core strategies
Fund and investment management income encompasses services provided in relation to the discretionary allocation and management of third-party capital within credit, real estate equity and real estate lending funds. Fees for fund and investment management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis.

Local and ancillary strategies
Income from asset management and servicing contracts with third party customers, together with services provided to the Arrow back book, and is measured based on the consideration specified in a contract with a customer.

Servicing income comprises a broad range of services, including secured and unsecured collection activity, real estate asset realisation, legal title holding, due diligence activities, initial platform migration and on-boarding activities, securitisation vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management.

7. Taxation credit on ordinary activities

The taxation credit for the period was £3,166,000 (Q3 YTD 2023: £11,383,000). The taxation before adjusting item impacts was £964,000 with an effective consolidated tax rate for the nine months ended 30 September 2024 of 13% (30 September 2023: 20%). The Group operate in multiple tax jurisdictions, which are subject to different corporate tax rates, during the interim period. The Group has therefore calculated an estimated average annual effective tax rate for each jurisdiction, based on forecast profits and substantially enacted corporate tax rates relevant to those jurisdictions, to determine the Group's consolidated effective tax rate.

Notes to the consolidated interim financial statements (*continued*)

8. Collection activity and fund management costs and other operating expenses

Fund management and collection activity costs:	Unaudited 9-months to 30 September 2024 £000	Unaudited 9-months to 30 September 2023 £000
Staff costs	62,790	51,796
Direct temporary labour	3,146	3,769
Direct operating costs	14,987	11,626
External collection costs	8,620	5,965
Legal disbursements	5,143	6,243
Other collection activity costs	2,108	2,791
Underlying total collection activity costs	**96,794**	**82,190**
Operations held for sale result	–	15,693
Total fund management and collection activity costs	**96,794**	**97,883**

Other operating expenses:	Unaudited 9-months to 30 September 2024 £000	Unaudited 9-months to 30 September 2023 £000
Staff costs	61,761	43,576
Other staff related costs	5,566	4,918
Premises	3,684	1,827
IT	12,546	10,874
Depreciation and amortisation	8,468	7,643
Net foreign exchange (gains)/losses	(7,652)	(3,900)
Other operating expenses	31,181	18,222
Total other operating expenses	**115,554**	**83,160**
Maslow acquisition – investment in associate adjustment to fair value	–	**36,457**
Other acquisition costs – depreciation and amortisation	18,381	**10,892**
Acquisition related deferred remuneration	7,181	**3,756**
Operations held for sale result	–	**8,584**
Total other operating expenses	**141,116**	**142,849**

Other operating expenses include professional fees, business insurances and travel and entertaining costs. Other staff-related costs caption largely relates to temporary labour, recruitment and training.

Notes to the consolidated interim financial statements (*continued*)

9. Goodwill

Cost	£000
At 31 December 2023 (audited)	**745,109**
Exchange rate differences	(20)
Acquisitions	1,892
Remeasurement[1]	694
Disposals	(509)
At 30 September 2024 (unaudited)	**747,166**
Impairment:	
At 30 September 2024 and 31 December 2023	-
Net book value:	
At 30 September 2024 (unaudited)	**747,166**
At 31 December 2023 (audited)	**745,109**

[1] Remeasurement of fair values of acquired assets and liabilities at acquisition.

10. Trade and other receivables

	Unaudited 30 September 2024 £000	Audited 30 December 2023 £000
Trade receivables	92,828	48,139
Contract balances	14,766	14,201
Other receivables	13,532	17,557
Prepayments	7,599	6,380
Total trade and other receivables	**128,725**	**86,277**

Notes to the consolidated interim financial statements (*continued*)

11. Portfolio investments

The movements in portfolios investments were as follows:

Period ended 30 September 2024 (unaudited)

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Joint venture £000	Total £000
As at 1 January 2024	323,827	380,977	54,588	87,253	846,645
Portfolios purchased during the year	548	132,955	–	–	133,503
Movement in investments awaiting deployment[1]	–	(4)	–	–	(4)
Acquisitions in the year	2,040	716	–	–	2,756
Collections in the year	(91,308)	(149,614)	(42,467)	(14,661)	(298,050)
Income from portfolio investments at amortised cost	33,879	–	–	–	33,879
Fair value gains on portfolio investments at FVTPL	–	40,564	–	–	40,564
Income from portfolio investments – real estate inventories	–	–	2,066	–	2,066
Share of profit in portfolio joint venture	–	–	–	8,922	8,922
Net impairment gains/(losses)	1,764	–	(360)	–	1,404
Capital expenditure on real estate inventories	–	–	2,191	–	2,191
Exchange and other movements	(9,980)	(21,991)	(2,060)	–	(34,031)
As at 30 September 2024	**260,770**	**383,603**	**13,958**	**81,514**	**739,845**

[1] *Investments awaiting deployment relates to movements in cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which had not completed at the period end.*

Note that for real estate inventories, which are not financial instruments, the balance sheet cash collections figure above is analogous to total sales of inventories, and the net of balance sheet cash collections and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

11. Portfolio investments *(continued)*

Year ended 31 December 2023 (audited)

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Joint venture £000	Total £000
As at 1 January 2023 including held for sale	641,194	331,199	51,463	–	1,023,856
Portfolios purchased during the year	33,752	117,893	–	91,511[2]	243,156
Movement in investments awaiting deployment[1]	–	(3,166)	–	–	(3,166)
Acquisitions in the year	–	1,013	–	–	1,013
Collections in the year	(161,769)	(88,570)	(22,146)	(11,378)	(283,863)
Proceeds on sale of non-core UK portfolios[2]	(183,023)	–	–	–	(183,023)
Deferred purchase consideration liability transfer on sale of non-core UK portfolios[3]	(26,208)	–	–	–	(26,208)
Income from portfolio investments at amortised cost	55,462	–	–	–	55,462
Fair value gains on portfolio investments at FVTPL	–	32,433	–	–	32,433
Income from portfolio investments – real estate inventories	–	–	2,403	–	2,403
Share of profit in portfolio joint venture	–	–	–	7,266	7,266
Net impairment losses	(16,088)	–	(795)	–	(16,883)
Loss on sale of UK non-core portfolios	(16,773)	–	–	–	(16,773)
Capital expenditure on real estate inventories	–	–	21,633	–	21,633
Exchange and other movements	(2,720)	(9,825)	2,030	(146)	(10,661)
As at 31 December 2023	**323,827**	**380,977**	**54,588**	**87,253**	**846,645**

[1] Investments awaiting deployment relates to movements in cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which had not completed at the period end.

[2] The £183,023,000 proceeds reflect 100% derecognition of the wholly owned UK portfolios subject to the divestment. 50% of these portfolios have been immediately repurchased into a new category entitled 'Joint venture'. This treatment is required by IFRS.

[3] A proportion of the wholly owned UK portfolios subject to the divestment were acquired with the purchase consideration being deferred and still outstanding at the divestment date. As part of the divestment, these liabilities to the original vendor were transferred to Intrum.

Note that for real estate inventories, which are not financial instruments, the balance sheet cash collections figure above is analogous to total sales of inventories, and the net of balance sheet cash collections and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

11. Portfolio investments *(continued)*

Key sensitivities

The estimated future cash flows generated by portfolio investments are the key estimates/judgements in these financial statements. Flexing the expected future gross cash flows by -1/+1% would impact the closing carrying value of the portfolio investments as at 30 September 2024 £6,444,000 (31 December 2023: £7,048,000). Note that this sensitivity applies only to 'FVTPL' and 'amortised cost' portfolio investments, as financial instruments under IFRS 7 and 9. Real estate and joint venture portfolio assets are not financial instruments under IFRS 7 and 9.

Macro-economic risk captures the estimation uncertainty most significant to the portfolio investments across all assets. Management use Oxford Economics scenario forecast to assess this risk. If future cash flows were adjusted for key macro-economic inputs as per the most optimistic/pessimistic scenarios, the impact would be as shown in the below table, split by geography and asset class. Note that this sensitivity applies only to 'FVTPL' and 'amortised cost' portfolio investments as above.

30 September 2024 (unaudited)	**Carrying balance**	**Upside variance**	**Downside variance**
Geography	**£000**	**£000**	**£000**
UK and Ireland	257,147	8,214	(29,471)
Portugal	255,774	102,282	(75,860)
Netherlands	41,318	2,120	(1,484)
Italy	179,856	16,101	(19,766)
Other Western Europe	5,750	–	–
	739,845	**128,717**	**(126,581)**

31 December 2023 (audited)	**Carrying balance**	**Upside variance**	**Downside variance**
Geography	**£000**	**£000**	**£000**
UK and Ireland	247,672	19,478	(28,542)
Portugal	268,741	105,276	(71,244)
Netherlands	116,514	9,054	(7,859)
Italy	213,718	14,520	(16,141)
	846,645	**148,328**	**(123,786)**

30 September 2024 (unaudited)	**Carrying balance**	**Upside variance**	**Downside variance**
Portfolio asset class	**£000**	**£000**	**£000**
Secured	372,931	71,133	(75,728)
Unsecured	271,442	57,584	(50,853)
Real estate inventories	13,958	N/A	N/A
Joint venture	81,514	N/A	N/A
	739,845	**128,717**	**(126,581)**

Notes to the consolidated interim financial statements (*continued*)

11. Portfolio investments *(continued)*

31 December 2023 (audited) Portfolio asset class	Carrying balance £000	Upside variance £000	Downside variance £000
Secured	402,493	68,487	(68,667)
Unsecured	302,311	79,841	(55,119)
Real estate inventories	54,588	N/A	N/A
Joint venture	87,253	N/A	N/A
	846,645	**148,328**	**(123,786)**

12. Trade and other payables

	Unaudited 30 September 2024 £000	Audited 31 December 2023 £000
Current:		
Trade payables	22,616	15,189
Deferred consideration on portfolio investments	708	-
Taxation and social security	7,079	3,065
Due to parent companies	19,079	17,339
Accruals	42,852	50,589
Liabilities arising on acquisition of bankruptcy portfolios	2,060	-
Other liabilities	23,614	32,452
Lease Liability	4,293	3,894
	122,301	122,528
Non-current:		
Trade payables	402	8,120
Deferred consideration on portfolio investments	-	737
Taxation and social security	1,869	-
Accruals	1,686	-
Liabilities arising on acquisition of bankruptcy portfolios	20,931	28,501
Other liabilities	6,939	4,357
Lease liabilities	18,300	22,420
	50,127	64,135
Total trade and other payables	**172,428**	**186,663**

Other current liabilities includes deferred remuneration and balances payable to employees.

Notes to the consolidated interim financial statements (*continued*)

13. Contingent liabilities

Through the ordinary course of business, the Group exposes itself to potential liabilities which at present it is not aware of, and may or may not arise in the future. As such, it would not be practical to try and quantify their future financial impact. The nature of potential claims or liabilities has not changed since those reported in the consolidated financial statements of the Group as at and for the year ended 31 December 2023.

There has been no material development in the Netherlands data privacy matter regarding the Focum subsidiary, and the Group's view remains that the Dutch regulator is legally wrong. This view has been further supported by the recent EU Court of Justice (ECJ) ruling in the KNLTB case regarding the Dutch Data Protection Authority's strict interpretation of GDPR's legitimate interest basis. The Group will continue to defend its position and as such, no provision has been recognised.

14. Borrowings and facilities

	Unaudited 30 September 2024	Audited 31 December 2023
Secured borrowing at amortised cost	**£000**	**£000**
Senior secured notes (net of transaction fees of £12,263,000, 31 December 2023: £16,297,000)	1,222,713	1,246,132
Revolving credit facility (net of transaction fees of £1,477,000, 31 December 2023: £2,176,000)	146,073	157,592
Bank overdrafts and loans	6,135	6,214
Other borrowings – non-recourse facilities	15,721	24,482
	1,390,642	**1,434,420**
Total borrowings		
Amount due for settlement within 12 months	159,106	178,580
Amount due for settlement after 12 months	1,231,536	1,255,840
	1,390,642	**1,434,420**

Senior secured notes

On 27 October 2021, the Group successfully priced €400 million 4.5% Euro fixed rated bonds due November 2026, €640 million 4.625% over three months EURIBOR floating rate notes due November 2027, and £350 million 6% fixed rate bonds due November 2026, with the proceeds being used to prepay all the outstanding bonds at that time and certain drawings under the revolving credit facility. The bonds were issued by Sherwood Financing plc and the floating rate notes are subject to a zero percent EURIBOR floor. The bonds are secured on the majority of the Group's assets and subject to market conditions, the Group may initiate a repurchase.

Revolving credit facility

On 6 October 2021, the Group entered into a new £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The margin is subject to a ratchet downwards based upon decreasing leverage levels. The facility ranks senior secured and therefore has a similar security package to the cancelled facility and the bonds issued during 2021. Under the terms of an intercreditor agreement, the facility ranks super senior to the bonds as any obligations under the facility will be settled in advance of any obligations under the bonds.

14. Borrowings and facilities *(continued)*

The group entered into two ancillary facilities utilising the existing commitment under the revolving credit facility during 2023. The ancillary facilities, being a bank guarantee for £1.5 million and an overdraft facility of £10 million, have reduced the revolving credit facility commitment by a total of £11.5 million. Unutilised overdraft facility is included within headroom under the revolving credit facility for the purpose of calculating liquidity headroom.

Other borrowings

The Group holds a number of portfolio investments in special purpose entities. Other borrowings primarily consist of debt financing in these entities, or liabilities to other investors where the Group fully consolidates the special purpose entity due to having control.

Notes to the consolidated interim financial statements (*continued*)

15. Notes to the cash flow statement

	Unaudited 9-months to 30 September 2024	Unaudited 9-months to 30 September 2023
Cash flows from operating activities	**£000**	**£000**
Loss before tax	(36,462)	(86,425)
Adjusted for:		
Balance sheet cash collections in the period	298,050	198,491
Income from portfolio investments	(35,945)	(41,542)
Fair value gains	(40,564)	(25,180)
Net impairment (gain)/losses	(1,404)	7,198
Write-down of investment in associate	-	36,456
Share of profit in associate	-	(3,089)
Share of profit in portfolio joint venture	(8,922)	(3,274)
Gain on sale of subsidiary	(1,029)	-
Loss on disposal of intangible assets	87	75
Depreciation and amortisation	26,849	18,535
Net interest payable	78,934	75,862
Lease liability interest	1,422	1,126
Deferred remuneration unwind	6,887	2,351
Foreign exchange gains	(7,652)	(3,900)
Loss on write-off and disposal of property, plant and equipment	914	-
Profit on disposal of held for sale	-	(11,944)
Derivative fair value movements	-	(12,018)
Operating cash flows before movement in working capital	**281,165**	**152,722**
Increase in other receivables	(44,547)	(18,239)
Decrease in trade and other payables	(8,095)	(36,032)
Cash generated by operations	**228,523**	**98,451**
Income taxes and overseas taxation payable	(2,843)	(7,557)
Net cash flow from operating activities before purchases of loan portfolios	**225,680**	**90,894**
Purchases of portfolio investments	(133,499)	(205,956)
Proceeds from sale of UK non-core portfolios	-	183,023
Net cash generated by operating activities	**92,181**	**67,961**

Included within cash and cash equivalents in £6,855,000 (Q3 2023: £14,087,000) of cash, which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date.

Notes to the consolidated interim financial statements (*continued*)

16. Financial instruments

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below. The Group does not apply 'offsetting' to any of its financial assets and liabilities.

Financial assets as at 30 September 2024 (unaudited)	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
	£000	£000	£000	£000
Portfolio investments	383,603	260,770	644,373	644,870
Cash and cash equivalents	–	91,048	91,048	91,048
Derivative asset	108	–	108	108
Other receivables classified as financial assets	–	117,808	117,808	117,808
Total financial assets	**383,711**	**469,626**	**853,337**	**853,834**

Financial assets as at 31 December 2023 (audited)	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
	£000	£000	£000	£000
Portfolio investments	380,977	323,827	704,804	705,328
Cash and cash equivalents	–	114,683	114,683	114,683
Derivative asset	558	–	558	558
Other receivables classified as financial assets	–	79,891	79,891	79,891
Total financial assets	**381,535**	**518,401**	**899,936**	**900,460**

Financial liabilities as at 30 September 2024 (unaudited)	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
	£000	£000	£000	£000
Senior secured notes	–	1,222,713	1,222,713	1,152,391
Revolving credit facility	–	146,073	146,073	146,073
Bank overdrafts	–	6,135	6,135	6,135
Other borrowings	–	15,721	15,721	15,721
Derivative liability	2,760	–	2,760	2,760
Trade and other payables classified as financial liabilities	–	93,031	93,031	93,031
Total financial liabilities	**2,760**	**1,483,673**	**1,486,433**	**1,416,111**

16. Financial instruments (continued)

Financial liabilities as at 31 December 2023 (audited)	**Mandatorily at FVTPL**	**Amortised cost**	**Total carrying amount**	**Total fair value**
	£000	**£000**	**£000**	**£000**
Senior secured notes	–	1,246,132	1,246,132	1,182,154
Revolving credit facility	–	157,592	157,592	157,592
Bank overdrafts	–	6,214	6,214	6,214
Other borrowings	–	24,482	24,482	24,482
Derivative liability	2,381	–	2,381	2,381
Trade and other payables classified as financial liabilities	–	106,695	106,695	106,695
Total financial liabilities	**2,381**	**1,541,115**	**1,543,496**	**1,479,518**

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For instruments that trade infrequently and have little price transparency, fair value is less objective, and required judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted market prices within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

Notes to the consolidated interim financial statements (*continued*)

16. Financial instruments (continued)

Application to the Group's financial assets and liabilities

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 30 September 2024.

The fair value of amortised cost portfolio investments has been calculated by observing the changes in market yields over time and applying the difference between current average market IRRs for the Group's most recent vintage, and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio. As this calculation is based on unobservable inputs, these fair values would be categorised as level 3 values. The primary unobservable input to which this valuation is sensitive to is the current market rates for portfolios. A 1% rise/fall in this rate would lead to a reduction/uplift in fair value £(10,825,000)/£11,283,000 (31 December 2023: £(10,230,000)/£10,604,000).

The fair value of cash and cash equivalents and the revolving credit facility are deemed to be equal to their carrying amount.

The carrying value of other receivables and payables classified as financial assets/liabilities is deemed to be a good approximation of their fair value, due to their short maturity and low credit risk. These would be considered as level 3 fair values.

The fair value of the senior secured notes has been calculated by reference to quoted market prices and therefore would be included as level 1 in the fair value hierarchy table should the liability have been held at fair value.

Derivative financial instruments are held at fair value, which is equal to the discounted expected future cash flows arising as a result of the derivative transaction. These would be considered level 2 fair values. For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Unaudited 30 September 2024	**Audited 31 December 2023**
Level 2	**£000**	**£000**
Liabilities:		
Derivative liabilities	(2,760)	(2,381)
Assets:		
Derivative assets	108	558
Level 3		
Assets:		
Portfolio investments	383,603	380,977

There have been no transfers between level 2 or level 3.

Notes to the consolidated interim financial statements (*continued*)

16. Financial instruments (continued)

The fair value of derivative financial instruments used for risk management purposes has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 30 September 2024.

Total gains on portfolio investments recognised at FVTPL have been presented in the income statement as 'Fair value gains on portfolio investments at FVTPL'. The majority of fair value of portfolio investments recognised as FVTPL has been calculated by using a discounted cash flow model. The remaining ones are valued with reference to a third party. The significant unobservable inputs used in the calculation of portfolio investments categorised as level 3 in the fair value hierarchy are estimated future cash flows (ERCs) derived from management forecasts and the discount rate appropriate to the investment and the anticipated rate of return.

During the year management changed the calculation methodology of determining the average discount rate for level 3 investments. Accordingly, the comparative disclosures for the average discount rate and sensitivities for 31 December 2023 have been restated. The changes are not material. The Group's portfolio investments held at FVTPL has an average discount rate of 19.2% (31 December 2023 (restated): 18.4%). An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at FVTPL of £3,836,000/£(3,836,000) (31 December 2023 restated: £3,810,000/£(3,810,000)). An increase/decrease in the discount rate of 2% would lead to a decrease/increase in the carrying value of portfolio investments held at FVTPL of £(15.450,000)/£16,745,000 (31 December 2023 restated: £(12,259,000)/£13,139,000).

The Group's portfolio investments held at amortised cost has an average discount rate of 23.8% (31 December 2023: 23.3%). An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at amortised costs of £2,608,000/£(2,608,000) (31 December 2023: £3,238,000/£(3,238,000)). An increase/decrease in the discount rate of 1% would lead to a decrease/increase in the carrying value of portfolio investments held at amortised of £(2,962,000)/£3,065,000 (31 December 2023: £(3,990,000)/£4,131,000)). A full reconciliation between the opening and closing portfolio investments held at FVTPL has been provided in note 11. For a fuller description of how the future cash flows are estimated, please refer to note 4.

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Unaudited	**Audited**
	30 September 2024	**31 December 2023**
Level 3	**£000**	**£000**
Assets:		
Portfolio investments – amortised cost	**260,770**	**323,827**

17. Post Balance Sheet Events

There have been no post balance sheet events.

Sherwood Parentco Limited

Consolidated financial statements for the year ended 31 December 2023

Independent auditor's report to the members of Sherwood Parentco Limited

Opinion

We have audited the financial statements of Sherwood ParentCo Limited ("the Company") for the year ended 31 December 2023 which comprise the consolidated statement of profit or loss and other comprehensive income, consolidated and parent statement of financial position, consolidated and parent statement of changes in equity, consolidated and parent company statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with the UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

Independent auditor’s report to the members of Sherwood Parentco Limited *(continued)*

- Reading Board minutes and attending audit committee meeting.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to the full scope component audit team of relevant fraud risks identified at the Group level and request to the full scope component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates and judgements such as revenue from portfolio investments.

On this audit we do not believe there is a fraud risk related to revenue recognition on income from non-portfolio investments because there are no estimates or judgments involved in the recognition and calculation of these revenue streams.

We identified a fraud risk related to valuation of estimated remaining cashflows and discount rates feeding into the portfolio valuations. We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all in scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual or seldom-used accounts having corresponding debit to portfolio assets, unexpected account combinations linked to portfolio assets, journals with specific descriptors;
- Evaluated the business purpose of significant unusual transactions
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and others management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the directors and other management, the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to the full scope component audit team of relevant laws and regulations identified at the Group level, and a request for the component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Independent auditor's report to the members of Sherwood Parentco Limited *(continued)*

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection laws, anti-bribery, anti-money laundering, consumer protection, employment law and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report to the members of Sherwood Parentco Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 25, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Jatin Patel (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

26 March 2024

Consolidated statement of profit or loss and other comprehensive income for the year to 31 December 2023

Continuing operations	Note	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Income from portfolio investments at amortised cost	**22**	55,462	97,812
Fair value gains on portfolio investments at FVTPL	**22**	32,433	21,351
Impairment (losses)/gains on portfolio investments at amortised cost	**22**	(16,883)	9,130
Income from real estate inventories	**22**	2,403	2,072
Share of profit in portfolio joint venture	**22**	7,266	–
Total income from portfolio investments		**80,681**	**130,365**
Integrated fund and asset management income	**5**	193,626	162,323
Profit on disposal of held for sale assets and liabilities		11,944	–
Gain on disposal of subsidiary	**29**	–	2,121
Other income		1,179	963
Total income		**287,430**	**295,772**
Operating expenses:			
Collection activity and fund management costs	**9**	(130,421)	(129,507)
Loss on reclassification to held for sale	**29**	–	(21,342)
Other operating expenses	**9**	(194,528)	(142,314)
Total operating expenses		**(324,949)**	**(293,163)**
Operating (loss)/profit		**(37,519)**	**2,609**
Derivative fair value movements	**21**	12,018	(4,834)
Finance income		776	537
Finance costs	**7**	(103,712)	(83,686)
Share of profit in associate		3,089	1,684
Loss before tax		**(125,348)**	**(83,690)**
Taxation credit/(charge) on ordinary activities	**10**	75	(1,417)
Loss for the year from continuing operations[1]		**(125,273)**	**(85,107)**
Other comprehensive loss:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference arising on revaluation of foreign operations		207	1,877
Movement on the hedging reserve		(1,803)	556
Total comprehensive loss		**(126,869)**	**(82,674)**
Loss after tax attributable to:			
Owners of the Company		(125,967)	(84,756)
Non-controlling interest		694	(351)
		(125,273)	**(85,107)**
Comprehensive loss attributable to:			
Owners of the Company		(127,563)	(82,323)
Non-controlling interest		694	(351)
		(126,869)	**(82,674)**

[1] The loss before tax of £125,348,000 for the year to 31 December 2023 (31 December 2022 £83,690,000) includes £58,288,000 of net adjusting costs (2022: £50,280,000), with an underlying loss before tax of £67,060,000 (2022: £33,410,000). For the reconciliation between these results please see page 112.

Consolidated and parent statement of financial position at 31 December 2023

Assets	**Note**	**Group 2023 £000**	**Parent 2023 £000**	**Group 2022 £000**	**Parent 2022 £000**
Cash and cash equivalents		114,683	–	143,603	–
Derivative asset	**24**	558	–	808	–
Trade and other receivables	**14**	86,277	3,110	65,041	506
Portfolio investments – amortised cost	**22**	323,827	–	392,182	–
Portfolio investments – FVTPL	**22**	380,977	–	331,199	–
Portfolio investments – real estate inventories	**22**	54,588	–	51,463	–
Portfolio investments – joint venture	**22**	87,253	–	–	–
Property, plant and equipment	**13**	30,010	3,748	27,614	–
Intangible assets	**12**	118,632	–	104,890	–
Deferred tax asset	**10**	6,610	–	4,815	–
Current tax asset		1,759	–	–	–
Investment in subsidiary undertakings	**21**	–	586,475	–	577,725
Investment in associates	**21**	321	–	64,150	–
Goodwill	**11**	745,109	–	698,879	–
Assets held for sale	**29**	–	–	270,986	–
Total assets		**1,950,604**	**593,333**	**2,155,630**	**578,231**
Liabilities					
Bank overdrafts	**27**	6,214	–	8,423	–
Revolving credit facility	**27**	157,592	–	169,104	–
Derivative liability	**24**	2,381	–	30,335	–
Trade and other payables	**15**	186,663	7,537	173,446	651
Current tax liability		–	–	1,902	–
Other borrowings	**27**	24,482	–	13,590	–
Asset-backed loans	**27**	–	–	8,246	–
Senior secured notes	**27**	1,246,132	–	1,258,358	–
Deferred tax liability	**10**	19,827	–	27,851	–
Liabilities held for sale	**29**	–	–	36,927	–
Total liabilities		**1,643,291**	**7,537**	**1,728,182**	**651**
Equity					
Share capital	**17**	166,813	166,813	166,813	166,813
Share premium	**17**	419,609	419,609	410,859	410,859
Retained deficit		(283,657)	(626)	(156,428)	(92)
Hedging reserve		(1,247)	–	556	–
Other reserves		3,036	–	2,829	–
Total equity attributable to shareholders		**304,554**	**585,796**	**424,629**	**577,580**
Non-controlling interest		2,759	–	2,819	–
Total equity		**307,313**	**585,796**	**427,448**	**577,580**
Total equity and liabilities		**1,950,604**	**593,333**	**2,155,630**	**578,231**

Approved by the board of directors on 26 March 2024, signed and authorised for issue on its behalf by:

Philip Shepherd
Director
Registered in England and Wales No: 13299333

Consolidated and parent statement of changes in equity for the year to 31 December 2023

Group	**Ordinary shares**	**Share premium**	**Retained earnings**	**Translation reserve[1]**	**Hedging reserve[1]**	**Total**	**Non-controlling interest**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2022	**166,813**	**410,859**	**(71,672)**	**952**	–	**506,952**	**3,470**	**510,422**
Loss after tax	–	–	(84,756)	–	–	**(84,756)**	(351)	**(85,107)**
Exchange differences	–	–	–	1,877	–	**1,877**	–	**1,877**
Net fair value gains – cash flow hedges	–	–	–	–	741	**741**	–	**741**
Tax on hedged items	–	–	–	–	(185)	**(185)**	–	**(185)**
Total comprehensive loss for the year	–	–	(84,756)	1,877	556	**(82,323)**	(351)	**(82,674)**
Distributions to non-controlling interests	–	–	–	–	–	–	(1,818)	**(1,818)**
Minority interest on acquisition	–	–	–	–	–	–	1,518	**1,518**
Balance at 31 December 2022	**166,813**	**410,859**	**(156,428)**	**2,829**	**556**	**424,629**	**2,819**	**427,448**
Loss after tax	–	–	(125,967)	–	–	**(125,967)**	694	**(125,273)**
Exchange differences	–	–	–	207	–	**207**	–	**207**
Net fair value gains – cash flow hedges	–	–	–	–	(2,403)	**(2,403)**	–	**(2,403)**
Tax on hedged items	–	–	–	–	600	**600**	–	**600**
Total comprehensive loss for the year	–	–	(125,967)	207	(1,803)	**(127,563)**	694	**(126,869)**
Shares issued	–	8,750	–	–	–	**8,750**	–	**8,750**
Acquisition of non-controlling interests	–	–	(1,262)	–	–	**(1,262)**	(754)	**(2,016)**
Distributions to non-controlling interests	–	–	–	–	–	–	–	–
Minority interest on acquisition	–	–	–	–	–	–	–	–
Balance at 31 December 2023	**166,813**	**419,609**	**(283,657)**	**3,036**	**(1,247)**	**304,554**	**2,759**	**307,313**

[1] Other reserves total £1,789,000 (2022: £3,385,000).

Parent	**Ordinary shares**	**Share premium**	**Retained earnings**	**Total**
	£000	**£000**	**£000**	**£000**
Balance at 1 January 2022	166,813	410,859	(2)	577,670
Loss after tax	–	–	(90)	**(90)**
Total comprehensive loss for the year	–	–	(90)	**(90)**
Balance at 31 December 2022	**166,813**	**410,859**	**(92)**	**577,580**
Loss after tax			(534)	**(534)**
Total comprehensive loss for the year	**--**	**--**	**(534)**	**(534)**
Shares issued	--	8,750	--	**8,750**
Balance at 31 December 2023	**166,813**	**419,609**	**(626)**	**585,796**

Consolidated and parent company statement of cash flow for the year to 31 December 2023

	Note	Group 2023 £000	Parent 2023 £000	Group 2022 £000	Parent 2022 £000
Net cash generated by operations	**30**	**121,031**	**–**	**61,243**	**–**
Investing activities					
Purchases of property, plant and equipment	**13**	(14,187)	–	(14,642)	–
Purchases of intangible assets	**12**	(8,997)	–	(7,380)	–
Proceeds from disposal of intangible assets and property, plant and equipment		–	–	406	–
Acquisition of an associate		(43)	–	–	–
Acquisition of subsidiaries, net of cash acquired	**28**	(46,443)	–	2,475	–
Additional investment in subsidiary		(9,503)	–	–	–
Disposal of subsidiary, net of cash		37,651	–	(1,147)	–
Deferred consideration paid in connection with subsidiary acquisitions		–	–	(1,404)	–
Net cash used in investing activities		**(41,522)**	**–**	**(21,692)**	**–**
Financing activities					
Movements in other banking facilities		(15,405)	–	(5,442)	–
Proceeds from RCF and other borrowings		11,883	–	11,432	–
Proceeds from senior notes issuing		–	–	–	–
Redemption of senior notes		–	–	–	–
Early bond repayment costs		–	–	–	–
Repayment of asset backed loans		(8,297)	–	(47,156)	–
Payment of interest on senior notes		(79,165)	–	(63,669)	–
Payment of interest on revolving credit facility		(12,339)	–	(9,067)	–
Payment of interest on asset-backed loans		–	–	(1,189)	–
Issue of share capital		–	–	–	–
Bank interest received		776	–	537	–
Bank and other similar fees paid		(1,310)	–	(962)	–
Distributions to non-controlling interest		–	–	(1,818)	–
Lease payments	**19**	(5,642)	–	(5,449)	–
Payment of deferred interest		–	–	(140)	–
Parent company funding		–	–	16,796	–
Net cash flow used in financing activities		**(109,499)**	**–**	**(106,127)**	**–**
Net decrease in cash and cash equivalents		(29,990)	–	**(66,576)**	–
Cash and cash equivalents at beginning of year		143,603	–	202,263	–
Effect of exchange rates on cash and cash equivalents		1,070	–	7,916	–
Cash and cash equivalents at end of the year including held for sale		**114,683**	**–**	**143,603**	**–**

Included within cash and cash equivalents is £11,838,203 (2022: £8,021,000) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated structure awaiting a payment date.

Notes to the Financial Statements

1.1 General information

Sherwood Parentco Limited ('the Company') is a private company limited by shares, incorporated in England and Wales. The address of the registered office is presented on page 1. The financial statements are presented in pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand except when otherwise indicated.

The Company's subsidiaries, both direct and indirect, at 31 December 2023 are listed in note 21.

The Group's principal activity is to identify, acquire, manage and service secured and unsecured loan, real estate and other investment portfolios, through an integrated fund manager model.

1.2. Basis of preparation and going concern

The Group and Company's financial statements for the year to 31 December 2023 have been prepared in accordance with UK-adopted international accounting standards.

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes of the Company have not been presented in this annual report and accounts. A number of the Group's subsidiaries have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2023, with the parent Company providing a declaration of guarantee in accordance with section 479C of the Companies Act 2006 for the relevant subsidiaries as at 31 December 2023. A full listing of the subsidiaries availing of the guarantee and audit exemption is set out in note 21.

The financial statements of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and certain portfolio investments and the amortised cost accounting for other financial assets and liabilities.

Going concern statement

In assessing whether the going concern basis is appropriate to adopt for the Group as at 31 December 2023, the directors have undertaken thorough analysis of forecast cash flow models and scenarios for a period of at least 12 months from the date of approval of these accounts, with the primary focus of detailed forecasting running to the end of Q1 2025.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. The severe downside case is based upon the Oxford Economics severe downside IFRS 9 macroeconomic scenario. This scenario is also used for the Group's IFRS 9 modelling, as well as for modelling potential investment outcomes for LPs. An in-house model is used to translate the Oxford Economics macroeconomic forecasts into forecast outcomes for ERCs. The ERC impact of the severe downside macroeconomic scenario has been applied to all portfolio collections and income in the model, as well as an across the board decrease in servicing and fund management revenue of the same magnitude. This is then analysed against historical outcomes and associated levels of liquidity and leverage to assess plausibility. Key items considered within each forecast were the future outlook for HPI and default rates, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows. These cash flows were considered against the Group's future liquidity position, taking into account that there are no bond maturities until late 2026. Adherence to the Group's leverage covenant was also considered in all scenarios.

The results of this scenario analysis show that in a severe but plausible downside scenario, before considering any management actions (such as cost reductions, reducing portfolio purchases and collection acceleration) as required, the Group is able to maintain sufficient liquidity, operate within the banking covenants, and to continue as a going concern. This scenario was aligned to the severe downside forecasts outlined in note 22.

Finally, a reverse stress test has also been prepared to identify the magnitude of a downside stress that needs to occur to cause the group to breach its liquidity headroom and/or leverage covenant. It has been concluded that this represents an overly severe and implausible scenario. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes to the Financial Statements *(continued)*

2. Accounting Standards

New standards

The following new standards and interpretations are mandatory for the year beginning 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

The above standards are not expected to have a significant impact on the Group's financial statements.

2.1 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards did not have a significant impact on the Company's financial statements:

- Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of liabilities as current or non-current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16; and
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7;

3. Significant Accounting Policies

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Deferred and contingent consideration

The Group has historically entered into agreements with third parties to purchase portfolios of financial assets, and the consideration paid may include an element of deferred consideration. Such consideration is discounted at the Group's weighted average cost of debt to its present value at the point of initial recognition of the acquired portfolio asset, and this discounted amount is included within the purchase price of the portfolio asset. A liability for the discounted amount of deferred consideration is also recognised at this time. Subsequent to this, the discount taken from the gross deferred consideration payable to the initial present value is recognised in the income statement as a finance cost over time.

Often, as part of business acquisitions, the Group also enters into arrangements with third parties to pay amounts in the future which are contingent on the outcome of a future event, such as the acquired business meeting certain operational or financial targets. Any contingent consideration is measured at fair value at the date of acquisition. In such instances, the Group forms an initial estimation of the fair value of such consideration by assessing the likelihood of paying out a range of amounts, and using this analysis to calculate the probability-weighted average expected pay-out. This amount is then discounted at the Group's cost of debt to bring it to its present value at the point of acquisition. An assessment is made at this point as to whether the payments constitute a post-employment benefit arrangement with former owners, or not. If this is not the case, the present value is included within the consideration paid to acquire the business and within goodwill, if relevant. Each period, the discount is unwound to the income statement as a finance cost, and the liability is remeasured to its current fair value at that point in time with the remeasurement to the income statement as an other operating expense.

If the payments constitute remuneration for ongoing services by former owners, then the amounts are excluded from the consideration paid to acquire the business and are unwound to the income statement as a remuneration charge over the relevant contingent period, with the liability remeasured each period based on expectation against performance conditions at that point in time. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Non-controlling interests (NCI)
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2023 and the comparative period.

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

i. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

ii. Transactions eliminated upon consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity, or can demonstrate significant influence, or evidence through a number of aspects such as representation on the board of directors, participation in policy-making and decisions, material transactions between the entity and investee, interchange of managerial personnel or provision of essential technical information. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of the associate from the date that significant influence commences until the date that it ceases.

Securitisation vehicles
Securitisation vehicles in which the Group holds an economic interest are usually operated according to predetermined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of various securities in the vehicles.

Outside the day-to-day servicing of the receivables (which may be carried out by the Group under a servicing contract), key decisions are usually required only when the intent of the participants regarding the design of the economic structure or the strategy for the collection of the underlying assets changes.

In assessing whether it has control, the Group considers whether it manages the key decisions that most significantly affect these vehicles' returns, alongside its total variability related to its economic interests in the vehicles. As a result, the Group has concluded that it controls some of these vehicles, but not all (for more information on consolidated vehicles, see note 25).

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund depends on whether there are a small number investors or a single party investor. Where there are a small number of investors Arrow focuses on the assessment of the aggregate economic interests of the Group in the fund (including any carried interests and expected management fees) and the investors' rights to remove the fund manager. In the instance of a single party investor there are single party kick out rights and this is the focus of determining whether the Group has control.

As the kick-out rights are without cause, and factoring in the aggregate economic interest for those funds where there are not single party kick-out rights, the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

For further disclosure in respect of unconsolidated securitisation vehicles and investment funds in which the Group has an interest or for which it is a sponsor, see note 25.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the spot exchange rates at the date of the transactions. The functional currency of the Group is pounds sterling, which is also the presentational currency of the Group.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the carrying amount in the foreign currency, translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

Interest

i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL).

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. This is the case for all the Group's portfolio investments held at amortised cost, recognised since the introduction of IFRS 9.

Additionally, for such assets, the future cash flows are forecast across the next 84 months following the balance sheet date. This is the point by which substantially all of the cash flows will have been received from a normal portfolio investment.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, such as legal and due diligence fees.

ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the expected cash flows and, for financial assets, adjusted for any ECL allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance. However, for amortised cost portfolio assets the concept of a separable ECL allowance is not applied, because due to the nature of the portfolio assets, expected cash flows are forecast including an estimate of ECLs, including multiple economic scenarios.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, which includes all of the Group's portfolio investments held at amortised cost, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. Subsequently, the carrying value of the portfolios is adjusted by updating future cash receipts and discounting them using the original credit adjusted effective interest rate with the subsequent remeasurement recognised as impairment through the statement of profit or loss. Updated future cash receipts are those expected in the normal course of maximising recoverability of credit-impaired assets.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in fair value gains on portfolio investments at FVTPL.

Fair value gains on portfolio investments at FVTPL

Fair value gains on portfolio investments at FVTPL represents all of the income and expenses relating to the Group's portfolio investments which are classified as FVTPL. The line item includes fair value changes, interest and dividends.

Leases

i. Group acting as a leasee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the shorter of its useful economic life and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The adjustment is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

ii. Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

iii. Group acting as a lessor

None of the arrangements that the Group has entered into have been determined to constitute the Group acting as a lessor under the definitions of IFRS 16.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Taxation

i. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

ii. Current tax

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

iii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

Deferred tax assets and liabilities are offset only if certain criteria are met.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Financial assets and financial liabilities

i. Recognition and initial measurement

The Group initially recognises portfolio investments, debt securities issued and other financial liabilities on the date on which they are acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

A financial asset or financial liability is measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. No such elections have been made by the Group.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. No such designations have been made by the Group.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's portfolio investments are comprised of various types of underlying credit positions. The majority of investments are held by the Group for the primary purpose of collecting the underlying cash flows to the fullest extent possible. Sales of such portfolio investments are not a common occurrence and are not part of management's strategy for such investments when they are purchased.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

The Group's co-investment is deemed to be held in a different business model than 'hold to collect', as these portfolio investments are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis. As such, the business model of these assets is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the Group's co-investment is classified as FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events changing the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity and similar instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

Contractually linked instruments

The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

i. Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. The gain or loss is presented as interest income calculated using the effective interest rate method.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as a derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

ii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activity.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

iii. Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

iv. Impairment

The Group recognises loss allowances for ECL on financial assets that are debt instruments, and that are not measured at FVTPL. No impairment loss is recognised on equity investments. The Group has not taken the low credit risk exemption for any of its financial assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (excluding credit-impaired assets), for which they are measured as 12-month ECL.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as ‘Stage 1 financial instruments’. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls due to default events possible within 12 months (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive due to such events);
- financial assets that are credit-impaired at the reporting date, except POCI financial assets: as the difference between the gross carrying amount and the present value of estimated future cash flows; or

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

- POCI financial assets: the ECL is incorporated into the estimated future cash flows, therefore it is not possible to separate this from a 'gross carrying amount' of these assets. As such, although ECL is incorporated into the carrying amount, a separate loss allowance is not held for POCI financial assets. The only material assets in this category are the portfolio investments held at amortised cost.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate; or
- lease receivables: the discount rate used in measuring the lease receivable.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Designation at fair value through profit or loss

The Group has not designated any financial assets or liabilities as FVTPL in either the current or previous periods.

Interests in equity accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than the rights to its assets and liabilities.

Interest in associates and the joint venture are accounted for under the equity method. They are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand and highly liquid financial assets with original maturities usually of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents also include cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated structure awaiting a payment date.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Derivatives

All derivatives are measured at fair value in the statement of financial position.

Other assets

No ECL has been recognised for intercompany loans, cash and cash equivalents or trade and other receivables, on the basis that the ECL on such items is deemed to be immaterial.

Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Furniture	five years
Computer equipment	three years
Leasehold improvements	five years
Vehicles	three years
Right-of-use assets	based on contractual terms

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets and goodwill

i. Software licenses and IT platforms

Expenditure on internally developed software, such as IT platforms, is recognised as an asset when the Group is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software plus capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Software, including IT platforms, is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to ten years. Amortisation is disclosed within other expenses within the statement of profit and loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

ii. Customer intangibles

When the Group acquires businesses which have material ongoing customer relationships, whether they are contractual or not, the principles of IFRS 3 dictate that the fair value of such customer relationships must be estimated and recognised on the balance sheet at the acquisition date. The impact of this is to effectively reduce the goodwill recognised on acquisition.

Subsequent to the initial recognition of such assets, they are amortised over the expected life of the customer relationships with the Group. This amortisation is recognised within operating expenses.

The useful lives and carrying values of customer intangibles are reviewed at each reporting date and adjusted if appropriate.

iii. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future post-tax cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. The Group’s corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation with an outflow of economic resources. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the consolidated statement of financial position and are discounted to present value.

Employee benefits

i. Share-based payment transactions

Share-based payment transactions in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payments.

The grant date fair value of the share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards.

The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For share-based payments with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Where the Company grants rights to its equity instruments to employees of its subsidiaries, the costs are recharged to the subsidiary in line with the requirements of IFRS 2 'Share-based payments'.

ii. Shares held in an employee benefit trust (EBT)

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore, reflected in these financial statements.

iii. Retirement benefit costs

Payments to defined contribution retirement schemes are charged as the employees provide services to the Group.

The Group makes contributions to defined contribution plans to provide pension benefits for employees upon retirement, and otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

Inventories

As part of the Group's investment activities, it sometimes acquires real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow a period of time where capital expenditure is being applied to the asset, such investments fall under the scope of IAS 2 – Inventories.

In line with IAS 2, all assets classified as inventories are held at initial cost, plus any subsequent cost of capital expenditure. Such assets are held at the lower of cost and net realisable value, but apart from this, no gain or loss will be taken on the value of the assets until the point at which they are sold, or partially sold.

Share capital and reserves

i. Share capital

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii. Other reserves

Other reserves include the own share reserve and the translation reserve. These reserves are further explained in note 17.

Intercompany receivables

The Company holds material intercompany receivables within its statement of financial position.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

These have been assessed under the IFRS 9 ECL criteria, measuring expected losses over the longest contractual period the Company is exposed to credit risks. The Company has concluded that these assets have no material ECL.

Integrated fund and asset management income

i. Servicing fees

The Group undertakes various asset servicing and collection roles on behalf of its customers. The majority of this activity is performed at a point in time, and the service is deemed to have been provided to the customer either due to the passage of time, or upon the completion of an action such as making a collection or sending a notification to the customer. Therefore, in accordance with IFRS 15, the revenue from asset management and servicing activities is recognised either upon the completion of such actions. Where the Group is contracted to perform activities over time, such as master servicing arrangements, the fee is recognised as the services are performed, with time elapsed being the measure of progress.

ii. Asset management fees

The Group earns management fees from its performance of asset management services. Management fees are charged on third-party money managed by the Group and are based on an agreed percentage of either committed money, invested money or net asset value (NAV), dependent on the fund. Management fees are variable fee revenue streams, which relate to one performance obligation and contain a non-performance and performance-related fee element. The non-performance element of the fee is recognised as the services are performed, with time elapsed being the measure of progress. Performance related fees are discussed below.

iii. Performance-related fees

Performance-related fees are recognised only where it is highly probable that the revenue will not be reversed in the future. This is generally near the end of the performance period or upon early liquidation of a fund. Performance-related fees will only be crystallised when a performance hurdle is met. The estimate of performance fees is made with reference to the liquidation profile for the fund, which factors in portfolio exits and timeframes. A constraint is applied to the estimate to reflect uncertainty of future fund performance.

iv. Contract balances

In some instances, fees may be paid to a third party which are directly linked to the acquisition of a long-term contract with a customer. In line with IFRS 15 requirements, such costs are taken to the balance sheet as a cost to acquire a customer contract, and are released to the comprehensive statement of profit or loss over time, on a profile corresponding with the period over which economic benefits will be derived from the contract. Further Information on the Group's contract balances can be found in note 6.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn income and incur expenses, including income and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's Exco members (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Critical and other accounting judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Notes to the Financial Statements *(continued)*

4. Critical and other accounting judgements and estimates *(continued)*

Critical Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is set out below.

Classification of portfolio investment assets

The Group's co-investment in its funds are managed on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis. As such, the business model of these assets has been judged to be neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and the Group's co-investment business is classified as FVTPL.

The Group's on-balance sheet portfolio investments are primarily held at amortised cost, due to the fact that management have determined that these assets meet the SPPI criteria, and are held in a 'hold to collect' business model. The SPPI criteria for each portfolio are assessed at the point a portfolio is purchased, and are based on the nature of the underlying loans which are being purchased. This determination is made for each purchase individually, unless it is a follow-on purchase of the same or very similar assets, which have already been assessed.

Regarding the 'hold to collect' business model, the Group has determined that this is the most appropriate IFRS 9 business model classification for its on-balance sheet portfolios, as although in the past a small number of portfolios have been sold outright to a third party, such sales do not comprise a material component of the Group's ERC at any point in time. Therefore, such infrequent sales activity is not deemed to invalidate the 'hold to collect' business model which the Group employs for the majority of its portfolios.

Another judgement that has been made regarding the Group's amortised cost portfolio assets is that they all fall within the POCI classification for IFRS 9 impairment measurement purposes. This judgement has been made by the Group, based upon the fact that historic purchase history and the current composition of the amortised cost portfolio investments shows that such assets tend to be bought at a point in time where they are credit impaired in some manner. This is supported by not only the nature of the assets, but by the fact that they are usually purchased at a deep discount, which is reflective of their incurred credit losses to date.

For some portfolio investments, the SPPI criteria is not met, or there is an element of subordination within the holding structure. In such instances, these portfolio investments are held at FVTPL. Furthermore, some portfolio investments, such as those involving real estate, do not meet the definition of a financial instrument for accounting purposes. This leads to a portion of the Group's portfolio investments being classified as 'inventories', under the scope of IAS 2.

Other Judgements

Determination of control over investees

Arrow holds an economic interest in a number of entities, which it determines under IFRS 10 that it does not control. As such, these entities are not consolidated into the Group's financial statements, but rather, the investment in such entities is recognised as a single asset within the appropriate balance sheet classification, usually portfolio investments, but also investment in associates.

Conversely, the Group also consolidates entities into its financial statements which it does not have majority ownership of, but the Group is judged to control regardless, see note 21 for further detail.

The judgement as to whether or not the Group has control over an entity is taken on a case-by-case basis by management, and is firstly based upon whether the Group can exercise any power over the relevant activities of the entity, and if this is the case, whether there is deemed to be a link between such power and the variability of the Group's returns which arise from the entity.

In many cases, the determination of control is clear. Cases where management must apply more judgement can occur where the Group holds a minority share in a structured entity, as well as providing services to these entities in a typical supplier-customer relationship capacity. In these cases, determining whether the Group controls such an investment fund depends on the number of investors and the aggregate economic interest.

Notes to the Financial Statements *(continued)*

4. Critical and other accounting judgements and estimates *(continued)*

Where there are a small number of investors Arrow focuses on the assessment of the aggregate economic interests of the Group in the fund (including any carried interests and expected management fees) and the investors' rights to remove the fund manager. In the instance of a single party investor there are single party kick out rights and this is the focus of determining whether the Group has control.

As the kick-out rights are without cause, and factoring in the aggregate economic interest for those funds where there are not single party kick-out rights, the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

Assumptions and estimation uncertainties

i. Carrying value of portfolio investments

The carrying value of portfolio investments is £846,645,000 at 31 December 2023 (2022: £1,023,856,000 including held for sale portfolios). £380,977,000 of portfolio assets are classified as FVTPL and £323,827,000 of portfolio assets are classified as amortised cost.

For 31 December 2023, for assets invested in its funds, the Group has taken its percentage ownership of the fund valuations. The fund valuations are derived by either generated cash flow forecasts (ERCs) using a bottom-up approach, whereby cash flow have been modelled using a number of factors, including cash collections history, property status and valuations and macro-economic projections of property values, or third-party valuations provided by specialists.

The ERCs are then discounted at the market rate with the rate updated by adjusting for movements in the risk free rate reflecting the change in discount rates due to prevailing market conditions.

For on balance sheet investments excluding joint ventures, the Group has generated its own ERCs whereby each individual portfolio's cash flow has been modelled using a number of portfolio specific factors, including cash collections history and an array of data concerning the status of the individual loans within these portfolios, for example account-specific balance sheet cash collections history, account status, property status and valuation (for secured accounts), servicer history, and supporting data from third parties such as credit files or macroeconomic projections. This data has been used in conjunction with the predicted effectiveness of any additional collection initiatives to generate the eventual ERC for each portfolio.

The on balance sheet ERCs are then discounted at the appropriate rate (EIR for amortised cost portfolios, and a rate reflective of assumptions that market participants would use when pricing the asset for FVTPL portfolios as for fund investments), to obtain the revised NPV and hence carrying value of the amortised cost and FVTPL portfolio investments. For REO portfolio investments, the revised ERC curve is used to determine the net realisable value in assessing each portfolio for potential impairment. Depending on the asset, the ERC and discount rate is expected to be the significant estimate.

Following production of the on balance sheet valuations, the Group utilises a range of third-party forward-looking economic scenario projections, to adjust the amortised cost portfolio for macro-economic risk not captured in the bottom-up portfolio-level modelling. As part of this exercise, we assume that the portfolio-level ERCs represent the 'Base Case' economic scenario projection, and the performance indicators that underpin these ERCs, including House Price Index (HPI) and Default Rates, are stressed according to the relative variance between a given economic scenario projection and the 'Base Case' economic scenario projection. Further inferences are made, for example with respect to how the Weighted Average Life (WAL) of the portfolio-level ERCs would vary across the given economic scenario projections, to yield a revised Group ERC under each scenario. A weighted probability is then assigned to each scenario to yield an adjusted ERC. Numerical disclosures and sensitivities have been set out in note 22, to assist the users of these statements in understanding the financial impact of the most recent reforecast and macro-economic adjustments in lieu of specific disclosures for each underlying estimate to give users of the financial statements an understanding the range of possible valuation outcomes.

The joint venture portfolio investment is accounted for under the equity method. The majority of the value under this method is derived from the underlying special purpose entity classifying and measuring the portfolio receivables as amortised cost assets. The underlying ERC is based on the joint venture partner's own projection of future cash flows from the portfolio, incorporating factors relating to macroeconomic environments, types of debtors and loan, and historic experience of portfolios with similar characteristics, with input from Arrow management via the joint governance structure. This ERC is then discounted at the EIR to provide a carrying value, from which the Group has taken its percentage ownership share in addition to other less significant assets and liabilities of the special purpose entity.

Notes to the Financial Statements *(continued)*

4. Critical and other accounting judgements and estimates *(continued)*

The estimated future cash flows generated by the above process are the key estimate/judgement in these financial statements. Flexing the expected future gross cash flows by +1/-1% would impact the closing carrying value of the amortised cost and FVTPL portfolio investments as at 31 December 2023 by +/- £7,048,000 (2022: £9,724,000). The forecasting period over which ERCs are calculated is also a key estimate/judgement in these financial statements. Adding or removing six months to the cash flow forecasting period would increase/(reduce) the closing carrying value of the portfolio investments as at 31 December 2023 by £2,830,000/(£10,281,000) (2022: £7,235,000/(£10,234,000)). Note that there are a large number of inputs that are used to derive the ERC and hence the carrying value of portfolios. However, many of these are factual historical data points which do not individually involve significant estimation uncertainty, and as such, an overall combined sensitivity has been provided.

ii. Fair value of net assets acquired as part of business combinations

The Group capitalises goodwill on the acquisition of entities as discussed in the significant accounting policies. Goodwill is the excess of the consideration paid over the fair value of net assets acquired. Therefore, the fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired portfolio investments and customer intangibles where valuations reflect estimates of amounts and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post-acquisition performance of the acquired entities. Further detail on the valuation of acquired loan portfolios is given in section i. above. Note 28 provides further detail on acquisitions and the net assets acquired on each.

iii. Impairment assessment of goodwill balances

The carrying amount of goodwill is £745,109,000 at 31 December 2023 (2022: £698,879,000). The Group's goodwill has primarily been recognised on the acquisition of Arrow on 11 October 2021 and has been fully allocated to the Integrated Fund Management CGU. Additional acquisitions of Eagle Street and Maslow have resulted in additional goodwill of £46,381,000 in the year. An assessment for impairment has been undertaken as at 31 December 2023 with no impairment identified. Key estimates used in the assessment are the expected long-term cash flows the Integrated Fund Management CGU is expected to generate and the market discount rates applicable to such a CGU. Market discount rates have been derived using the Capital Asset Pricing Model, using observable market data on comparable listed entities. Judgement is applied in both selecting the comparable entities and the Group specific risk adjustments required for the CGUs. To corroborate such judgements other available indicators of valuation for the Group are considered. A market discount rate of 10% and a long term growth rate of 2% have been used in the assessment. Sensitivities for these key estimates are provided in note 11.

5. Segmental reporting

The Group reports under three separate reportable segments, being Integrated Fund Management, Balance Sheet Business and Group. Details of the principal business categories are as follows:

Integrated Fund Management	Income and costs associated with managing investment portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing and collection activities to third parties and income and costs associated with investment and asset management. The combined income from this segment represents the capital-light income of the Group.
Balance Sheet Business	All portfolio investments that the Group owns, including investments held directly on our balance sheet together with our co-investment made through our discretionary funds, such as ACO 1,ACO 2, and AREO, the associated income and direct costs of such investments.
Group	Costs not directly associated with the other two segments, but relevant to overall oversight and control of the Group's activities.

These segments represent how the Group manages the wider business, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the CODM.

Notes to the Financial Statements *(continued)*

5. Segmental reporting *(continued)*

The Integrated Fund Management segment charges the Balance Sheet Business segment for servicing and collection of the Group portfolio investments and management and servicing fees in relation to fund management in respect to its investments. This intra-segment charge is calculated on equivalent commercial terms to charging third parties. The intra-segment elimination column below removes such charges.

Year to 31 December 2023	**Integrated Fund Management**	**Balance Sheet**	**Group**	**Intra-segment elimination**	**Adjusting items[1]**	**Total exc. adjusting items**	**Total inc. adjusting items**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	220,917	86,904	21	(39,455)	19,043	268,387	287,430
Collection activity and fund management costs	(97,038)	(57,032)	(113)	39,455	(15,693)	(114,728)	(130,421)
Gross margin	**123,879**	**29,872**	**(92)**	–	**3,350**	**153,659**	**157,009**
Gross margin %	*56.1%*	*34.4%*				*57.3%*	*54.6%*
Other operating expenses excluding depreciation, amortisation and forex	(79,166)	(3,700)	(32,059)	–	(58,537)	(114,925)	(173,462)
EBITDA	**44,713**	**26,172**	**(32,151)**	–	**(55,187)**	**38,734**	**(16,453)**
EBITDA margin %	*20.2%*	*30.1%*				*14.4%*	*(5.7)%*
Depreciation and amortisation	(7,861)	–	(2,213)	–	(15,008)	(10,074)	(25,082)
Foreign exchange translation gain	–	–	4,016	–	–	4,016	4,016
Operating profit/(loss)	**36,852**	**26,172**	**(30,348)**	–	**(70,195)**	**32,676**	**(37,519)**
Derivative fair value movements	–	–	–	–	12,018	–	12,018
Net finance costs	–	–	(102,825)	–	(111)	(102,825)	(102,936)
Share of profit in associate	3,089	–	–	–	–	3,089	3,089
Profit/(loss) before tax and adjusting items	**39,941**	**26,172**	**(133,173)**	–	**(58,288)**	**(67,060)**	**(125,348)**

[1] *The loss before tax of £125,348,000 for the year to 31 December 2023 (2022: £83,690,000), includes £58,288,000 of net adjusting costs (2022: £50,280,000), For more detail on adjusting items see pages 112 and 113.*

Notes to the Financial Statements *(continued)*
5. Segmental reporting *(continued)*

Year to 31 December 2022	**Integrated Fund Management**	**Balance Sheet**	**Group**	**Intra-segment elimination**	**Adjusting items**	**Total exc. adjusting items**	**Total inc. adjusting items**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	207,274	135,723	6	(50,831)	3,600	292,172	295,772
Collection activity and fund management costs	(89,806)	(81,726)	(283)	50,831	(8,523)	(120,984)	(129,507)
Gross margin	**117,468**	**53,997**	**(277)**	**–**	**(4,923)**	**171,188**	**166,265**
Gross margin %	*56.7%*	*39.8%*				*58.6%*	*56.2%*
Loss on reclassification to held for sale	–	–	–	–	(21,342)	**–**	(21,342)
Other operating expenses excluding depreciation, amortisation and forex	(77,763)	–	(24,366)	–	(6,261)	**(102,129)**	**(108,390)**
EBITDA	**39,705**	**53,997**	**(24,643)**	**–**	**(32,526)**	**69,059**	**36,533**
EBITDA margin %	*19.2%*	*39.8%*				*23.6%*	*12.4%*
Depreciation and amortisation	(8,814)	–	(2,113)	–	(12,203)	(10,927)	(23,130)
Foreign exchange translation loss	–	–	(10,794)	–	–	(10,794)	(10,794)
Operating profit/(loss)	**30,891**	**53,997**	**(37,550)**	**–**	**(44,729)**	**47,338**	**2,609**
Derivative fair value movements	–	–	–	–	(4,834)	–	(4,834)
Net finance costs	–	–	(82,432)	–	(717)	(82,432)	(83,149)
Share of profit in associate	1,684	–	–	–	–	1,684	1,684
Profit/(loss) before tax and adjusting items	**32,575**	**53,997**	**(119,982)**	**–**	**(50,280)**	**(33,410)**	**(83,690)**

Notes to the Financial Statements *(continued)*

5. Segmental reporting *(continued)*

Total income includes income from portfolio investments, fund and investment management and performance fees, asset management and servicing and other income.

The below and overleaf tables are produced on a statutory basis:

Year to 31 December 2023	**UK, Ireland, Luxembourg and Jersey**	**Portugal**	**Italy**	**The Netherlands**	**Intra-Group trading**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	170,662	68,830	48,112	39,281	(39,455)	**287,430**
Third-party integrated fund and asset management income	84,986	46,499	35,514	26,627	–	**193,626**
Non-current assets	858,399	21,818	4,539	8,995	–	**893,751**

Year to 31 December 2022	**UK, Ireland and Jersey**	**Portugal**	**Italy**	**The Netherlands**	**Intra-Group trading**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	203,516	50,429	44,949	47,709	(50,831)	**295,772**
Third-party integrated fund and asset management income	66,928	32,058	34,076	29,261	–	**162,323**
Non-current assets	809,267	26,675	4,971	10,010	–	**850,923**

Income from contracts with customers has been disaggregated on a geographical basis, as a similar set of services are provided to customers across the geographies, and therefore this was deemed to be the most appropriate level of disaggregation for this disclosure.

Non-current assets are assets with a useful life of more than one year with the exception of deferred tax which has been excluded.

Notes to the Financial Statements *(continued)*

6. Integrated fund and asset management income

Integrated fund and asset management income is made up of discretionary core strategies from the Groups' integrated fund manager activity, and local and ancillary strategies including third-party and Arrow on-balance sheet investments servicing activity, as described in the following paragraphs.

	Year to 31 December 2023	Year to 31 December 2022
	£000	£000
Integrated fund manager income	78,485	51,472
On balance sheet investments servicing and asset management income	35,154	49,269
Third party servicing and asset management income	107,278	106,533
Total Integrated fund management segmental income	**220,917**	**207,274**

Discretionary core strategies

Fund and investment management income encompasses services provided in relation to the discretionary allocation and management of third-party capital within ACO 1, ACO 2 and AREO. Fees for fund and investment management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis. Income from fund and investment management services is recognised over time as the services are provided in accordance with IFRS 15. Revenue is also generated from asset management and servicing the assets.

Local and ancillary strategies

Income from asset management and servicing contracts with third party customers, together with services provided to the Arrow back book, and is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies a performance obligation related to a service it has undertaken to provide to a customer in accordance with IFRS 15.

Servicing income comprises a broad range of services, including secured and unsecured collection activity, real estate asset realisation, legal title holding, due diligence activities, initial platform migration and on-boarding activities, securitisation vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management.

In all material cases, the services are provided at a point in time that corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognised as the services are provided to the customer, with no deferral or acceleration of revenue across the life of the contract.

Contract balances

At 31 December 2023, the Group had assets relating to contracts with customers in the amount of £14.2m (December 2022: £15.5m). These assets fully relate to up-front costs which were incurred to acquire customers within the Group's fund and investment management business, and will be released to the comprehensive statement of profit and loss across the same period as the associated income will be recognised, which is the lifetime of the related fund or contract.

A key judgement made in recognising these costs which were incurred to acquire customers was whether or not the investors in the fund met the definition of a customer in accordance with IFRS 15. Given the small number of larger, institutional investors which were engaged with on an individual basis as part of the customer acquisition process, this was deemed to meet the definition of a customer under IFRS 15 guidance. The weighted average life remaining on these contract balances is 5 years and 1 months. The contract balances have amortised in the period, resulting in £3.1m (December 2022: £2.2m) of amortisation expensed to the comprehensive statement of profit and loss during the period.

Notes to the Financial Statements *(continued)*

7. Finance costs

	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Interest and similar charges on bank loans	13,971	9,831
Interest and similar charges on senior secured notes	85,684	68,511
Interest and similar charges on asset-backed securitisation	187	1,710
Lease liability interest	1,805	1,122
Other interest	2,208	1,190
Interest rate swap and forward exchange contract hedge costs	(254)	604
Underlying finance costs	**103,601**	**82,968**
Acquisition related costs	111	718
	103,712	**83,686**

8. Auditor remuneration

The analysis of auditor remuneration is as follows:

	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Fees payable for audit services – Company	70	60
Fees payable for audit services – Group	3,179	2,760
Total fees payable for audit services	**3,249**	**2,820**
Fees payable for audit-related assurance services	–	–
Total fees payable for audit-related and regulatory assurance services	–	–
Fees payable for other assurance services	333	405
Total fees payable for non-audit services	333	**405**
Total fees payable	**3,582**	**3,225**

Notes to the Financial Statements *(continued)*

9. Collection activity and fund management costs, other operating expenses and staff costs

9.a Total operating expenses

Total operating expenses are made up of direct and indirect costs, the detail of each is shown in the following tables:

Collection activity and fund management costs	**Year to 31 December 2023 £000**	**Year to 31 December 2022 £000**
External collection costs	9,669	17,044
Staff costs (see note 9b)	71,112	69,812
Direct temp labour	4,664	4,335
Direct operating costs	16,709	13,365
Legal disbursements	8,879	11,608
Other collection activity costs	3,695	4,820
Underlying other operating expenses	**114,728**	**120,984**
Operations held for sale result	15,693	8,523
Total collection activity and fund management costs	**130,421**	**129,507**

Other operating expenses	**Year to 31 December 2023 £000**	**Year to 31 December 2022 £000**
Staff costs (see note 9b)	64,377	57,290
Other related staff costs	7,767	8,275
Premises	2,187	1,503
IT	14,915	17,515
Depreciation and amortisation	10,074	10,927
Net foreign exchange (gains)/losses	(4,016)	10,794
Other operating expenses	25,679	17,547
Underlying other operating expenses	**120,983**	**123,851**
Maslow acquisition – investment in associate adjustment to fair value	36,457	–
Other acquisition costs – depreciation and amortisation	15,008	11,505
Acquisition related deferred remuneration	13,558	321
Operations held for sale result	8,522	6,637
Total other operating expenses	**194,528**	**142,314**

The other staff-related costs caption largely relates to temporary labour, recruitment and training.

The average headcount for the Group for the year to 31 December 2023 was 1,977 (31 December 2022: 2,288).

Notes to the Financial Statements *(continued)*

9. Collection activity and fund management costs, other operating expenses and staff costs *(continued)*

9b. Staff costs	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Wages and bonuses	125,360	112,381
Pension costs	6,403	6,148
Social security costs	15,513	15,320
Staff restructuring	509	49
Total staff costs including operating held for sale result	**147,785**	**133,898**
Operating held for sale result	(12,296)	(6,796)
Total staff costs excluding operating held for sale result	**135,489**	**127,102**

The total members of the executive committee, executive and non-executive directors' during the year was £7,639,000 (31 December 2022: £6,719,000), including £65,000 in relation to pension costs (31 December 2022: £35,000). In respect of the highest paid director (who was a director during the year), salary and performance related bonus was £1,907,000 (31 December 2022: £556,000), pension-related benefit was £nil (31 December 2022: £nil).

10. Tax

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax. The main rate of UK corporation tax, as enacted under the Finance Act 2022, increased to 25% from 1 April 2023.

a. Amounts recognised in profit and loss	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Current tax charge:		
Tax charge at standard UK corporation tax rate	5,618	5,094
Total current tax charge	**5,618**	**5,094**
Deferred tax charge:		
Origination and reversal of temporary differences	**(5,693)**	**(3,677)**
Total deferred tax charge	**(5,693)**	**(3,677)**
Total income tax expense/(credit)	**(75)**	**1,417**

The differences in the effective tax rate for the period and the standard rate of corporation tax in the UK at 23.5% (2022: 19%) are as follows:

b. Reconciliation of effective tax rate	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Loss before tax	(125,348)	(83,690)
Tax credit at standard UK corporation tax rate	(29,457)	(15,901)
Adjustment in respect of prior periods – current tax	(661)	(974)
Adjustment in respect of prior periods – deferred tax	(1,198)	(733)
Effect of tax rates in foreign jurisdictions	725	821
Expenses not deductible for tax purposes	8,358	3,957
Tax rate changes	–	306
Income not taxable	(3,706)	(2,792)
Overseas tax suffered	800	590
Movements in unrecognised deferred tax	25,064	16,143
Total income tax expense/(credit)	**(75)**	**1,417**

Notes to the Financial Statements *(continued)*

10. Tax *(continued)*

c. Amounts recognised in OCI

There were amounts recognised in the OCI during the period of £601,000 in respect of tax (2022: £186,000).

Deferred tax

The Group has not recognised a deferred tax asset in relation to tax losses carried forward of £70,254,000 (2022: £62,853,000), due to lack of certainty over future utilisation of the losses. These losses may be available for offset against future profits and have no expiry date. There are no unrecognised deferred tax liabilities.

Deferred taxation is measured at the rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

No tax rate changes were enacted during the period in respect of overseas territories in which the group operates.

Movement in deferred tax balances

2023

	Net balance 1 January £000	On acquisition/ disposal of subsidiary[1] £000	Recognised in profit or loss £000	Recognised in OCI £000	Reclassification £000	Foreign exchange £000	Net balance 31 December £000	Deferred tax asset £000	Deferred tax liability £000
IFRS and fair value transitional adjustments	**(25,984)**	(44)	4,243	-	3,088	247	**(18,450)**	**1,377**	**(19,827)**
Hedging reserve	**(185)**	-	-	600	-	-	**415**	**415**	**-**
Other temporary differences	**(208)**	1,138	863	-	(48)	21	**1,766**	**1,766**	**-**
Losses	**2,966**	359	587	-	(780)	(80)	**3,052**	**3,052**	**-**
	(23,411)	**1,453**	**5,693**	**600**	**2,260**	**188**	**(13,217)**	**6,610**	**(19,827)**

2022

	Net balance 1 January £000	On acquisition of subsidiary[1] £000	Recognised in profit or loss £000	Recognised in OCI £000	Reclassification £000	Foreign exchange £000	Net balance 31 December £000	Deferred tax asset £000	Deferred tax liability £000
IFRS and fair value transitional adjustments	(21,826)	–	2,483	–	(6,305)	(336)	**(25,984)**	**1,917**	**(27,901)**
Hedging reserve	–	–	–	(185)	–	–	**(185)**	–	**(185)**
Other temporary differences	(338)	(1,102)	645	–	583	4	**(208)**	**954**	**(1,162)**
Losses	1,847	444	549	–	35	91	**2,966**	**2,966**	**0**
	(20,317)	**(658)**	**3,677**	**(185)**	**(5,687)**	**(241)**	**(23,411)**	**5,837**	**(29,248)**
Total moved to assets held for sale	(757)							(1,022)	1,397
Total excluding held for sale	**(21,074)**							**4,815**	**(27,851)**

[1] See note 28 and note 29 for further information on the acquisitions and disposals.

Notes to the Financial Statements *(continued)*

10. Tax *(continued)*

Uncertainty over income tax treatments

There is a current tax asset of £1,759,000 (2022: current tax liability of £1,902,000). The liability in 2022 represents the amount of income taxes payable in respect of current and prior periods, including a provision in relation to uncertain tax positions.

As for most multi-nationals, the current tax environment is creating increasing levels of uncertainty and the Group is potentially subject to tax audits in many jurisdictions. By their nature, these are often complex and could take a significant period of time to be agreed with the tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. The levels of risk arising from tax audits may change as a result of legislative change, tax authority guidance or practice and correspondence with the tax authorities during a specific audit. It is not possible to quantify the impact that such future developments may have on the tax positions taken in the financial statements.

11. Goodwill

	Total
	£000
Cost	
At 1 January 2022	688,063
Remeasurement[1]	5,080
Additions	5,467
Exchange rate differences	269
At 31 December 2022	698,879
Additions[2]	46,381
Exchange rate differences	(151)
At 31 December 2023	**745,109**
Impairment	
At 31 December 2023 and 31 December 2022	**–**
Carrying amount	
At 31 December 2023	**745,109**
At 31 December 2022	**698,879**

[1] Remeasurement of fair values of acquired assets and liabilities at acquisition.

[2] See note 28 for a detailed analysis of additions to goodwill during 2023.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The two CGUs considered for goodwill allocation were at the lowest level at which goodwill is monitored for internal management purposes and are not larger than the single operating segment defined under IFRS 8 (Operating Segments).

Goodwill CGU allocation

In relation to goodwill, the two CGUs identified are Integrated Fund Management, comprising all of the Group's debt management operations on behalf of the Group, discretionary funds and other third parties and the Balance Sheet Business, comprising the Group's owned portfolio investment business. In 2022, the Group changed its assessment of CGUs in the year reflecting how the Group utilisation of its assets and operations to generate revenues has changed over time. In October 2021, the Group was acquired by TDR. Post-acquisition, the Group strategically re-positioned itself as a platform led vertically aligned business. Alignment of the Group's platforms and its investment business on a geography basis no longer adequately represents how the Group makes returns.

Notes to the Financial Statements *(continued)*

11. Goodwill *(continued)*

The vertically integrated model means that the platforms work collectively to derive returns across geographies and individual platform cash in-flows are not substantially derived separately from other platforms. With the strategic repositioning and the move towards a capital-light model, the BSB is no longer the primary focus of the platforms. Following the change in CGUs, goodwill was reallocated on a relative value basis using value in use calculations for each of the revised CGUs. This resulted in all of the goodwill being allocated to the Integrated Fund Management CGU.

The discount rate was a post-tax rate based on the yield of average European 10-year government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities generally, the systemic risk of the specific CGU, and the non-systematic risk imputed from the reconciliation to the expected return on the purchase of the Group by TDR.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal gross domestic product rates for the countries in which the CGU operates and the long-term compound annual profit before taxes, depreciation and amortisation growth rate estimated by management.

Budgeted profit before taxes, depreciation and amortisation were based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated growth for the next five years.

The key assumptions described above may change as economic and market conditions change. The Group estimates that likely possible changes in these assumptions would not cause the recoverable amount of the relevant CGU to decline below the carrying amount.

The Group's goodwill balance has been assessed and no part of the overall balance is deemed to be deductible for tax purposes.

For the purposes of impairment testing, goodwill is allocated to the Group's CGUs as follows:

	2023	**2022**
	£000	**£000**
Integrated Fund Management	745,109	698,879
	745,109	**698,879**

An impairment review was carried out at 31 December 2023, that resulted in no impairment to goodwill. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGUs is determined as the higher of fair value, less cost to sell and value in use. The Discount rate and forward-looking growth assumptions applied in the value in use calculations were as follows:

	2023	**2022**
	Integrated Fund Management	**Integrated Fund Management**
Discount rate %	10%	11%
Growth rate used to extrapolate forecasts	2%	2%

Discount rates

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Post-tax rates are used alongside post-tax cash flows, as the post-tax discount rate is more readily derived from observable market information. Any potential differences between post-tax discount rates and cash flows and the pre-tax method under IAS 36 – Impairment of assets have been considered, and no material differences between approaches have been identified.

Notes to the Financial Statements *(continued)*

11. Goodwill *(continued)*

The starting point for determining the discount rates for each CGU was to use the Group's weighted average cost of capital (WACC) and adjust this for specific factors for each of the CGUs to derive a market participant's rate. The factors took into account the risks inherent in each of the CGUs; such as currency, regulatory, and economic risks and the different operations in the CGUs were also considered.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity. The forecasts assume growth rates in collection activity which in turn drive forecast collections and cost figures. These assumptions are in keeping with the directors' expectations of future growth. Appropriate tax rates are applied to the cash flow forecasts for each CGU. The analysis has been prepared using post-tax cash flows and discount rates, as post-tax discount rates can be more readily derived from observable market data. The Group is satisfied that this is materially equal to performing the analysis on pre-tax cash flows and discount rates.

The result of the goodwill impairment review was that no impairment was deemed to exist as at 31 December 2023 and 31 December 2022.

Notes to the Financial Statements *(continued)*

12. Intangible assets

	Customer intangibles £000	Contractual rights £000	IT platform £000	Software licences £000	Total £000
Cost					
At 1 January 2022	**104,216**	**251**	**22,368**	**7,480**	**134,315**
Exchange rate differences	–	14	694	29	737
Additions	–	–	2,118	5,262	7,380
Reclassifications	–	23	(437)	(23)	(437)
Write-off	–	–	–	6	6
Disposals	–	–	(139)	(83)	(222)
At 31 December 2022	**104,216**	**288**	**24,604**	**12,671**	**141,779**
Assets acquired on acquisition of a subsidiary	22,832	–	90	–	22,922
Exchange rate differences	–	(5)	(182)	57	(130)
Additions	–	17	7,046	1,934	8,997
Reclassifications	–	–	189	(148)	41
Write-off	–	–	–	–	–
Disposals	(4,275)	–	(5,277)	(4,678)	(14,230)
At 31 December 2023	**122,773**	**300**	**26,470**	**9,836**	**159,379**
Accumulated amortisation					
At 1 January 2022	**3,950**	**16**	**1,102**	**818**	**5,886**
Exchange rate differences	–	7	129	32	168
Amortisation for the year[1]	10,508	222	3,835	3,162	17,727
Reclassifications	–	–	–	(73)	(73)
Write-offs	–	–	–	(13)	(13)
At 31 December 2022	**14,458**	**245**	**5,066**	**3,926**	**23,695**
Exchange rate differences	–	(5)	135	78	208
Amortisation for the year[1]	13,310	3	2,069	3,085	18,467
Reclassifications	–	–	98	(96)	2
Write-offs	–	–	–	–	–
Disposals	(583)	–	–	(1,042)	(1,625)
At 31 December 2023	**27,185**	**243**	**7,368**	**5,951**	**40,747**
Carrying amount					
At 31 December 2023	**95,588**	**57**	**19,102**	**3,885**	**118,632**
At 31 December 2022 (including held for sale)	**89,758**	**43**	**19,538**	**8,745**	**118,084**
Intangible assets held for sale					**(13,194)**
At 31 December 2022 (excluding held for sale)					**104,890**

[1] Amortisation and depreciation are shown within the other operating costs line of the consolidated statement of profit or loss. £11,857,000 of the amortisation has been including in adjusting items in the year.

Notes to the Financial Statements *(continued)*

13. Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture	Vehicles	Right-of-use asset[1]	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2022	**2,096**	**776**	**276**	**267**	**14,111**	**17,526**
Assets acquired on acquisition of a subsidiary	524	92	391	19	6,286	7,312
Exchange differences	78	35	37	1	640	791
Additions	534	605	147	39	13,317	14,642
Reclassifications	394	(431)	1,449	(8)	874	2,278
Write-offs	–	–	–	(1)	(2)	(3)
Disposals	–	(51)	(9)	–	(409)	(469)
At 31 December 2022	**3,626**	**1,026**	**2,291**	**317**	**34,817**	**42,077**
Acquired on acquisition of subsidiary	–	56	70	97	–	223
Exchange differences	(456)	(18)	(193)	(13)	(421)	(1,101)
Additions	7,718	656	881	48	4,884	14,187
Reclassifications	–	(9)	–	–	63	54
Write-offs	–	–	–	–	–	–
Disposals	(6,102)	(489)	(1,330)	–	(5,942)	(13,863)
At 31 December 2023	**4,786**	**1,222**	**1,719**	**449**	**33,401**	**41,577**
Accumulated depreciation						
At 1 January 2022	**105**	**27**	**38**	**234**	**488**	**892**
Exchange differences	27	(1)	12	–	(75)	(37)
Charge for the year	673	624	291	45	3,770	5,403
Reclassifications	744	(283)	848	–	654	1,963
Write-offs	(1)	(6)	(8)	(12)	(59)	(86)
Disposals	–	(18)	–	–	–	(18)
At 31 December 2022	**1,548**	**343**	**1,181**	**267**	**4,778**	**8,117**
Exchange differences	(125)	(26)	(165)	(17)	(52)	(385)
Charge for the year	690	371	428	27	5,099	6,615
Reclassifications	–	–	–	–	–	–
Write-offs	–	–	–	–	–	–
Disposals	(1,494)	(142)	(731)	–	(413)	(2,780)
At 31 December 2023	**619**	**546**	**713**	**277**	**9,412**	**11,567**
Carrying amount						
At 31 December 2023	**4,167**	**676**	**1,006**	**172**	**23,989**	**30,010**
At 31 December 2022 (including held for sale)	**2,078**	**683**	**1,110**	**50**	**30,039**	**33,960**
Property, plant and equipment held for sale						**(6,346)**
At 31 December 2022 (excluding held for sale)						**27,614**

[1] See note 19 for a detailed analysis of right-of-use assets.

The parent company also has Property, Plant and Equipment of £3,748,000 (December 2022 nil)

Notes to the Financial Statements *(continued)*

14. Trade and other receivables

	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Trade receivables	48,139	–	48,508	–
Contract balances	14,201	–	15,478	–
Other receivables	17,551	141	11,642	–
Prepayments	6,380	–	8,389	–
Due from other Group undertakings	6	2,969	–	506
Due from parent companies	–		298	–
Total including assets held for sale	**86,277**	**3,110**	**84,315**	**506**
Trade and other receivables moved to assets held for sale[1]	–	--	(19,274)	–
Total excluding assets held for sale	**86,277**	**3,110**	**65,041**	**506**

[1] Trade and other receivables include £19,274,000 in respect of the Capquest and Mars UK platforms as at 31 December 2022, which for disclosure purposes has been moved to 'Assets held for sale' on the consolidated statement of financial position. See note 29 for more information.

Notes to the Financial Statements *(continued)*

15. Trade and other payables

Current	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Trade payables	15,189	–	16,425	601
Deferred consideration on portfolio investments	–	–	23,433	–
Taxation and social security	3,065	–	3,873	–
Due to other Group undertakings	–	3,232	–	50
Due to parent companies	17,339	–	15,840	–
Accruals	50,589	–	43,930	–
Other liabilities	32,452	–	24,970	–
Lease liability	3,894	–	11,903	–
	122,528	**3,232**	**140,374**	**651**
Non-current				
Trade payables	8,120	–	5,821	–
Deferred and contingent consideration on acquisition of subsidiaries	–	–	3,197	–
Deferred consideration on portfolio investments	737	–	–	–
Taxation and social security	–	–	–	
Accruals	–	–	204	–
Liabilities arising on acquisition of bankruptcy portfolios	28,501	–	28,458	–
Other liabilities	4,357	–	8,454	–
Lease liability	22,420	4,305	19,137	–
	64,135	**4,305**	**65,271**	**–**
Total including held for sale	**186,663**	**7,537**	**205,645**	**651**
Trade and other payables moved to liabilities held for sale[1]	–	–	(32,199)	–
Total excluding held for sale	**186,663**	**7,537**	**173,446**	**651**

[1] Trade and other payables include £32,199,000 in respect of the Capquest and Mars UK platforms as at 31 December 2022, which for disclosure purposes has been moved to 'Liabilities held for sale' on the consolidated statement of financial position. See note 29 for more information.

Included within other liabilities is €4,028,960 (£3,492,813) (2022: €3,474,000 (£3,076,000)) relating to deferred pay for the Italian employees. The employees are part of statutory indemnity schemes, compulsory by law, that entitles them to deferred pay, typically at the end of their employment, the 'Trattamento di fine rapport' (TFR). A liability is recognised to reflect that the indemnity will be paid at a future date, when the employees leave employment. The liability is included within trade and other payables on the statement of financial position and is calculated by an independent expert through an actuarial valuation, the key assumptions used are detailed below:

	2023	2022
Discount rate	3%	0%-4%
Annual inflation rate	2%-3%	2%-6%
Wage inflation	3%-4%	2%-8%
Probability of leaving employment for reasons other than retirement (employees aged 18-60)	3%-11% per annum	3%-10% per annum

Notes to the Financial Statements *(continued)*

16. Contingent liabilities

Through the ordinary course of business, the Group exposes itself to potential liabilities which at present it is not aware of, and may or may not arise in the future. As such, it would not be practical to try and quantify their future financial impact. The Netherlands data privacy regulator is undertaking an ongoing industry-wide review regarding the alignment of the credit bureau industry with GDPR requirements in which one of the Group's Netherlands subsidiaries, Focum, is included. As part of this review, the regulator has raised concerns with Focum regarding compliance and application of these requirements focusing on its legitimate interest. Following legal advice and after considering (i) the 2022 letter issued by the European Commission stating that Dutch authorities interpretation of legitimate interest is too strict and conflicts with GDPR and (ii) the outstanding referral by the Amsterdam District Court to the European Court of Justice to explain legitimate interest, the directors believe they will be able to defend the Group position. As a result, they do not expect its outcome to have a material impact on the Group. The directors note the review remains open and no specific financial claim has been raised by the relevant authorities. Accordingly, no provision is recognised.

Set out below are broad areas of the Group's ordinary business activities which may in the future lead to potential claims or liabilities being incurred by the Group.

Conduct and regulatory compliance

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a possibility that certain aspects of the current or historic business, including, amongst other things, collections practices and general treatment of customers, may be determined by regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment.

Contractual disputes

In carrying out its ongoing business, the Group enters into numerous contracts in any given period with a various third-party entities. There is always a risk that a contractual dispute may arise in the future, which may lead to a claim against the Group in respect of any damages or losses incurred by the third party.

17. Share capital and reserves

Share capital and share premium

	2023	2022
Issued, fully paid and authorised:	**£000**	**£000**
166,813,370 ordinary shares of £1 each (2022:166,813,369)	166,813	166,813
	166,813	**166,813**

Total consideration for the shares was £586,422,000 (2022: £577,672,000) giving rise to a share premium of £419,609,000 (2022: £410,859,000). There are no restrictions on the repayment of capital. The £8,750,000 increase in the year relates to the Maslow transaction, which is described in note 28.

The shareholders have the right to receive notice of, and to attend and vote at all general meetings of the Company.

Nature and purpose of reserves

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

18. Dividends

No dividends were paid or declared during 2023 and no final dividend is proposed (2022: nil).

Notes to the Financial Statements *(continued)*

19. Leases

The Group has leases for offices premises, hospitality accommodation, vehicles and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 13).

Leases of vehicles are usually limited to a lease term of two to four years. Leases of property generally have a lease term ranging from five years to ten years. Lease payments are generally fixed, however there are a limited number of property leases where rentals are linked to annual changes in an index (either the retail price index or consumer price index).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Right-of-use assets

Right-of-use assets relate to leased office premises and vehicles that are presented within property, plant and equipment (see note 13).

	Office premises	**Vehicles £000**	**Computer equipment £000**
Balance at 31 December 2022	**28,030**	**892**	**1,117**
Assets acquired on acquisition of a subsidiary	–	–	–
Depreciation charge for the year	(4,251)	(316)	(532)
Additions	4,023	768	93
Disposals	(5,314)	–	(215)
Reclassifications	(608)	614	57
Exchange differences	(24)	(203)	(142)
Write-offs	–	–	–
Balance at 31 December 2023	**21,856**	**1,755**	**378**

Maturity analysis – contractual undiscounted cash flows

See note 23 for maturity analysis of lease liabilities as at 31 December 2023 and 31 December 2022.

Amounts recognised in profit or loss

The following leases-related expenses were recognised under IFRS 16 in the profit or loss:

	Year to 31 December 2023 £000	**Year to 31 December 2022 £000**
Interest on lease liabilities	1,805	1,122
Depreciation charge for the period on right of use assets	5,099	3,770
Expenses relating to short-term leases	71	61

Amounts recognised in statement of cash flows

The following lease payments were recognised in the statement of cash flows:

	Year to 31 December 2023 £000	**Year to 31 December 2022 £000**
Total cash outflow for leases	5,642	5,449

Notes to the Financial Statements *(continued)*

20. Related party transactions

Related party balances

Related party balances as at the period end were as follows:

Group	Amounts due to group undertakings 2023	Amounts due to group undertakings 2022
	£000	£000
Directors' loans	461	451
Total	461	**451**

Directors' loans were made in connection with the management incentive plan introduced during the previous year.

Company	Amounts due to group undertakings 2023	Amounts due to group undertakings 2022
	£000	£000
Arrow Global Investments Holdings Limited	(3,182)	–
Sherwood Financing plc	(50)	(50)
Total	**(3,232)**	**(50)**

Balances relate to intercompany loans that are repayable on demand, with this being the longest contractual period and are, therefore, held as current liabilities.

Summary of transactions

The Group had the following reportable transactions with related parties:

	Interest income year to 31 December 2023	Interest income year to 31 December 2022
	£000	£000
Directors' loans	10	–
Total	**10**	**–**

The Company had the following reportable transactions with related parties:

	Other expenses year to 31 December 2023	Other expenses year to 31 December 2022
	£000	£000
Arrow Global Investments Holdings Limited	(50)	–
Total	**(50)**	**–**

Notes to the Financial Statements *(continued)*

20. Related party transactions *(continued)*

Key management

Key management personnel, defined as permanent members of the board plus the executive committee, were awarded the following compensation for the financial period since being key management:

	Year to 31 December 2023	Year to 31 December 2022
Remuneration	**£000**	**£000**
Salaries and performance related bonus	7,574	6,684
Pension-related benefits	65	35
	7,639	**6,719**

The number of key management during the year was 12 (2022: 12).

Directors and key management participate in a management incentive plan that entitles key management personnel and senior employees to purchase shares in Sherwood Topco Limited, the top consolidating Group in the structure. In accordance with this plan, participants purchased shares at the fair value market price of the shares at grant date. See note 26 for further detail.

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates

Details of the Company's subsidiaries at 31 December 2023 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Agenda Management Services Limited* *Company no. 04637581*	UK (England & Wales)	Note 1	100	Trading	DFS
AGG Booth Title Limited *Company no. 12533342*	UK (England & Wales)	Note 2	100	Trading	ACM(H)L
AGG Capital Management (Holdco) Limited (ACM(H)L)* *Company no. 12272877*	UK (England & Wales)	Note 3	100	Trading	AGGL
AGL Fleetwood Limited* *Company no. 11889566*	UK (England & Wales)	Note 3	100	Trading	AFTL
AGL Fleetwood 2 Limited* *Company no. 12660006*	UK (England & Wales)	Note 3	100	Trading	AF2TL
AGL Fleetwood 2 Topco Limited (AF2TL)* *Company no. 12655329*	UK (England & Wales)	Note 3	100	Trading	AGIHL
AGL Fleetwood 3 Limited (AF3L) * *Company no. 12660015*	UK (England & Wales)	Note 3	100	Trading	AF2TL
AGL Fleetwood Topco Limited (AFTL)* *Company no. 11886176*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global (Holdings) Limited (AG(H)L)* *Company no. 05606576*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Accounts Management Limited* *Company no. 05478076*	UK (England & Wales)	Note 3	100	Trading	AGL
Arrow Global Adviser Limited (AGAL) *Company no. 12311219*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Birch Holdings Limited *Company no. 14516928*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Europe Limited* *Company no. 09296946*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global European Service Company Limited *Company no. 14409681*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Finance Plc* *Company no. 08361735*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Group Limited (AGGL)* *Company no. 08649661*	UK (England & Wales)	Note 3	100	Trading	SAL
Arrow Global Guernsey Limited *Company no. 08768171*	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Arrow Global Investments Holdings Limited (AGIHL)* *Company no. 06568603*	UK (England & Wales)	Note 3	100	Trading	AGGHL
Arrow Global Legh Limited *Company no. 08612068*	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Arrow Global Limited (AGL)* *Company no. 05606545*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Luna Limited* *Company no. 08898157*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Management Limited *Company no. 07373491*	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Arrow Global Massey Limited *Company no. 08612076*	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Arrow Global One Limited (AGOL)* *Company no. 08649653*	UK (England & Wales)	Note 3	100	Trading	AGGL
Arrow Global Portugal Investments Limited* *Company no. 09312429*	UK (England & Wales)	Note 3	100	Trading	AF3L

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow Global Portugal Limited* *Company no. 07243769*	UK (England & Wales)	Note 3	100	Trading	AF3L
Arrow Global Receivables Management Limited* *Company no. 05875306*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow SMA LP Limited (ASLL)* *Company no. 12272894*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Bergen Capital Management Limited* *Company no. 07553297*	UK (England & Wales)	Note 3	100	Trading	MAL
Blue Current Capital Limited *Company no. 12592858*	UK (England & Wales)	Note 3	100	Trading	AGBHL
Capquest Mortgage Servicing Limited* *Company no. 05821008*	UK (England & Wales)	Note 3	100	Trading	AGOL
Drydens Limited (DFS)* *Company no. 06765260*	UK (England & Wales)	Note 1	100	Trading	AGL
Erudio Customer Management Limited	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Eagle Street Partners Limited *Company no. 13097022*	UK (England & Wales)	Note 3	100	Trading	AGBHL
Mars Acquisition Limited (MAL)* *Company no. 08522909*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Maslow Brokerage Limited *Company no 12434070*	UK (England & Wales)	Note 24	100	Trading	MCAL
Maslow Capital LLP *LLP no. OC345252*	UK (England & Wales)	Note 24	100	Trading	MGPL
Maslow Global Partners Limited *Company no. 13807373*	UK (England & Wales)	Note 24	100	Trading	MCGL
Quest Bidco Limited (QBL)* *Company no. 07653281*	UK (England & Wales)	Note 3	100	Trading	QTL
Quest Newco Limited (QNL)* *Company no. 07715012*	UK (England & Wales)	Note 3	100	Trading	QBL
Quest Topco Limited (QTL)* *Company no. 07653295*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Sherwood Acquisitions Limited (SAL)* *Company no. 13299321*	UK (England & Wales)	Note 3	100	Trading	SPL
Sherwood Financing plc* *Company no. 13497082*	UK (England & Wales)	Note 3	100	Trading	SPL
Sherwood Financing 2 Limited* *Company no. 13538711*	UK (England & Wales)	Note 3	100	Trading	SPL
Western Acquisition Holdings Limited	UK (England & Wales)	Note 3	50	Dormant	AGL
Eagle Street Partners Ireland Limited	Republic of Ireland	Note 25	100	Trading	AGBHL
Mars Capital Finance Ireland DAC	Republic of Ireland	Note 4	100	Trading	MAL
Mars Capital Management Ireland DAC	Republic of Ireland	Note 4	100	Trading	MAL
Resident Space Services Limited	Republic of Ireland	Note 25	100	Trading	AGBHL
Arrow Global Guernsey Holdings Limited (AGGHL)	Guernsey	Note 5	100	Trading	AGOL
Arrow Global Guernsey Limited	Guernsey	Note 5	100	Dormant	AGIHL
AGG Capital Management Limited (AGGCML)	Jersey	Note 6	100	Trading	ACM(H)L
Arrow Credit Opportunities II Feeder A GP Limited	Jersey	Note 6	100	Trading	AGGCML
Arrow SMA GP Limited (ASGL)	Jersey	Note 6	100	Trading	ASLL
Arrow Global SMA I LP	Jersey	Note 6	100	Trading	ASLL/ ASGL
Maslow Capital Global Limited	Jersey	Note 6	100	Trading	AGIHL
Maslow Capital Partners Limited	Jersey	Note 6	100	Trading	MCGL

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Maslow Capital Advisers Limited	Jersey	Note 6	100	Trading	MCGL
Maslow Advisers II Limited	Jersey	Note 6	100	Trading	MCGL
Maslow Advisers III Limited	Jersey	Note 6	100	Trading	MCGL
Maslow Capital Management Limited	Jersey	Note 6	100	Trading	MCGL
Maslow Living GP Limited	Jersey	Note 6	100	Trading	MCML
Resident Space Advisors Limited	Jersey	Note 26	100	Trading	AGBHL
Sherwood Jersey Service Limited	Jersey	Note 6	100	Trading	SPL
Shield Corporate Limited	Jersey	Note 6	100	Trading	AGIHL
Shield Opera Limited	Jersey	Note 6	100	Trading	AGIHL
ACO SPV S.r.l	Italy	Note 27	100	Trading	AGIS
ACO B SPV S.r.l.	Italy	Note 27	100	Trading	AGIS
Arrow Global Investments Holdings Italia S.R.L. (AGIHIS)	Italy	Note 7	100	Trading	AGIHL
Arrow Global Italia S.R.L. (AGIS)	Italy	Note 7	100	Trading	AGIHL
Duccio Immobilaire 1 S.R.L	Italy	Note 11	100	Trading	SSS
Etna SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Etna Reoco S.R.L.	Italy	Note 7	0	Trading	N/A
Europa Investimenti Aziende S.R.L. (EIAS)	Italy	Note 8	100	Trading	EIS
Europa Investimenti Corporate Finance S.R.L.	Italy	Note 8	100	Trading	EIS
Europa Investimenti Gestione Attivi S.R.L.	Italy	Note 8	100	Trading	EIS
Europa Investimenti Spa (EIS)	Italy	Note 8	100	Trading	AGIS
Europa Investimenti Trading S.R.L. (EITS)	Italy	Note 8	100	Trading	EIS
Fieramosca Dieci S.R.L.	Italy	Note 8	100	Trading	EIS
Forest SPV S.R.L	Italy	Note 7	0	Trading	AGIS
Immobiliare San Silvestro S.R.L.	Italy	Note 28	100	In liquidation	LDuS
Lanzone Cinque S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Diciannove S.R.L. (LDiS)	Italy	Note 8	100	Trading	EIS
Lanzone Dodici S.R.L. (LDoS)	Italy	Note 8	100	Trading	EIS
Lanzone Dodici Real Estate S.R.L.	Italy	Note 30	100	Trading	LDoS
Lanzone Due S.R.L. (LDuS)	Italy	Note 8	100	Trading	EIS
Lanzone Ventidue S.R.L. (LVS)	Italy	Note 8	100	Trading	EIS
Lanzone Ventuno S.R.L.	Italy	Note 9	70	Trading	LDiS
LeaseCo First Srl	Italy	Note 7	100	Trading	ZSS
Leaseco Vulcan S.R.L	Italy	Note 7	100	Trading	ZSS
Giardini di Sacro Monte Eco-Immobiliare S.r.l.	Italy	Note 7	100	Trading	AGIS
Haywave SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Leonardo Investment Opportunities	Italy	Note 7	0	Trading	N/A
Omnia S.R.L	Italy	Note 10	100	Trading	LDoS
Sagitta SGR Spa	Italy	Note 7	100	Trading	EIS
Sansedoni Agency S.R.L	Italy	Note 11	100	Trading	SSS
Sansedoni Siena S.P.A (SSS)	Italy	Note 11	99.5	Trading	LVS
Solvere S.R.L	Italy	Note 11	100	Trading	SSS
SPV Project 156 S.R.L	Italy	Note 7	100	Trading	AGIS
SPV Project 158 S.R.L	Italy	Note 7	100	Trading	EITS
SPV Project 1608	Italy	Note 7	0	Trading	N/A
SPV Project 1713 S.R.L	Italy	Note 7	100	Trading	AGIS
VAR Reoco S.R.L.	Italy	Note 7	100	Trading	AGIS

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Vulcan SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Zen Finance Management S.R.L.	Italy	Note 7	50	Trading	ZSS
Zenith Service S.p.A. (ZSS)	Italy	Note 7	100	Trading	AGIHIS
Zeus Finance S.R.L	Italy	Note 7	0	Trading	N/A
Strzala Sp. z o.o.	Poland	Note 13	100	Dormant	AG(H)L/AGL
Capquest Debt Recovery S.A (pty) Limited	South Africa	Note 14	100	Dormant	AGL
AGHL Portugal Investments Holdings, S.A. (AGHLPIH)	Portugal	Note 15	100	Trading	AGIHL
Arrow Adviser PT SA	Portugal	Note 15	100	Trading	AGAL
Court Visit, Unipessoal LDA	Portugal	Note 15	100	Trading	AGHLPIH
Central Walls, Unipessoal LDA	Portugal	Note 15	100	Non-Trading	AGHLPIH
Details Hotels & Resorts, SA	Portugal	Note 16	100	Trading	AGHLPIH
Hefesto STC, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Little Turbilhão SA	Portugal	Note 15	100	Trading	AF3L
MREO Investments, SA	Portugal	Note 17	100	Trading	AGHLPIH
Norfin Investimentos, S.A.(NISA)	Portugal	Note 15	100	Trading	AGHLPIH
Norfin – Serviços, S.A	Portugal	Note 15	100	Trading	NISA
Norfin – Sociedade Gestora de Organismos de Investimento Coletivo, S.A	Portugal	Note 15	100	Trading	NISA
Partilha Transparente – Unipessoal LDA	Portugal	Note 15		Trading	AGHLPIH
Restart Capital Unipessoal, LDA	Portugal	Note 15	100	Trading	AGHLPIH
Sandalgreen, Assets, S.A.	Portugal	Note 15	100	Trading	AF3L
Sucesso Delicado, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Whitestar Asset Solutions, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Maslow Capital España, S.L.	Spain	Note 31	100	Trading	MCGL
Arrow Global Benelux (Holdings) B.V. (AGBH)	Netherlands	Note 18	100	Trading	AGIHB
Arrow Global Investments Holdings Benelux B.V. (AGIHB)	Netherlands	Note 18	100	Trading	AGIHL
Fiditon Holding B.V. (FH)	Netherlands	Note 18	100	Trading	AGIHB
Focum Groep B.V. (FG)	Netherlands	Note 18	100	Trading	AGIHB
Focum Solutions B.V.	Netherlands	Note 18	100	Trading	FG
Incassobureau Fiditon B.V.	Netherlands	Note 18	100	Trading	FH
Universum Inkasso B.V. (UI)	Netherlands	Note 18	100	Non-Trading	AGIHB
Vesting Finance Holding B.V. (VFH)	Netherlands	Note 18	100	Trading	AGIHB
Vesting Finance Incasso B.V.	Netherlands	Note 18	100	Trading	VFH
Vesting Finance Servicing B.V. (VFS)	Netherlands	Note 18	100	Trading	AGIHB
Alpha Credit Holdings 3 S.a.r.l	Luxembourg	Note 19	100	Trading	AGL
Arrow Global SMA II GP S.a.r.l	Luxembourg	Note 20	100	Trading	ASLL
Arrow Global SMA REO 1 GP S.a.r.l.	Luxembourg	Note 20	100	Trading	ASLL
Arrow Professional Services (Luxembourg) S.a.r.l.	Luxembourg	Note 20	100	Trading	AGIHL
Bow Advisers S.á r.l	Luxembourg	Note 21	100	Trading	AGGCML
Bow Advisers II S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Advisers REO 1 S.a.r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Aggregator REO 1 S.a.r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Aggregatror S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow (Co-invest) Advisers S.á r.l	Luxembourg	Note 21	100	Trading	AGGCML
Bow (SMA) Advisers S.á r.l	Luxembourg	Note 21	100	Trading	AGGCML
Bow Advisers ALO I S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Aggregator ALO I S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow Global SMA ALO I GP S.á r.l	Luxembourg	Note 20	100	Trading	ASLL
Maslow Living 1 S.á r.l	Luxembourg	Note 20	100	Trading	MCGL
Spear ACO Alux 19 S.á r.l	Luxembourg	Note 20	100	Dormant	AGGCML
NXT Holding S.á r.l (previously known as Spear ACO Alux 20 S.á r.l)	Luxembourg	Note 20	100	Dormant	AGGCML
Focum Belgium (BVBA)	Belgium	Note 22	100	Trading	AGIHB/FG
Arrow Global Adviser Co USA Inc	USA	Note 23	100	Trading	AGAL
Arrow Global Canada Inc	Canada	Note 29	100	Trading	AGIHL
Arrow Global Germany GmbH	Germany	Note 32	100	Trading	AGIHL

** Subsidiaries which have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006, with a declaration of guarantee provided as at 31 December 2023.*

Notes	Registered addresses
Note 1	10th Floor, West One, 114 Wellington Street, Leeds, LS1 1BA, UK
Note 2	1 Bartholomew Lane, London, EC2N 2AX, UK
Note 3	Belvedere, 12 Booth Street, Manchester, M2 4AW, UK
Note 4	One Warrington Place, Dublin, D02 HH27, Ireland
Note 5	First Floor, Albert House, South Esplanade, St Peter Port, Guernsey
Note 6	27 Esplanade, St Helier, JE1 1SG, Jersey
Note 7	Via V. Betteloni 2, 20131 Milan, Italy
Note 8	Via Lanzone 31, 20123 Milan, Italy
Note 9	Via Niccolo Tommaseo 68, 35131 – Padova, Italy
Note 10	Galleria Porte Cortarine, 4/93, 35137 Padova, Italy
Note 11	Via Garibaldi 60, Siena, CAP 53100, Italy
Note 12	Castel Maggiore (BO) Via Grandi n. 5 – CAP 40013, Italy
Note 13	Al. Jerozolimskie nr 148, 02–326, Warszawa, Poland
Note 14	Office Suite 15, Canal Edge 1, Tyger Waterfront, Carl Cronje Drive, Bellville, Western Cape, 7530, South Africa
Note 15	Avenida Almirante Gago Coutinho, nº. 30, piso 0 1000-017 Lisboa, Portugal
Note 16	Urbanização Quinta Pedra dos Bicos, lote 24, 8200-381 Albufeira, Portugal
Note 17	Av. Fontes Pereira de Melo, 14,15,1050-121 Lisboa, Portugal
Note 18	Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands
Note 19	412F, R'ute d'Esch, L-1471 Luxembourg
Note 20	26, Boulevard Royal, L-2449 Luxembourg
Note 21	6D, route de Treves, L-2633 Senningerberg, Grand Duchy of Luxembourg
Note 22	Koralenhoeve 15, 2160 Wommelgem, Belgium
Note 23	251 Little Falls Drive, Wilmington, County of New Castle, 19808 USA
Note 24	6 Duke Street, London, SW1Y 6BN, UK
Note 25	4th Floor, 76 Baggot Street, Dublin, D02 EK81, Ireland
Note 26	Third Floor, Liberation House, Castle Street, St Helier, JE1 2LH, Jersey
Note 27	24-28 Corso Vittorio Emanuele II, 20121 Milan
Note 28	Faenza (RA) – Via Giuseppe Verdi 20
Note 29	100 King Street West, Suite 6200, Toronto, Ontario, Canada, M5X 1B8
Note 30	Via Giacinto, Andrea Longhin 11, 35129 - Padova (PD), Italy
Note 31	Nanclares de Oca street, 1st floor B, Madrid, Spain
Note 32	Frankfurt am Main, Germany

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

All subsidiaries are included in the Group consolidation, including where the Group does not own 100% of the ordinary shares of the Company. This may arise where the Group exercises power over the relevant activity of the entity and can use this power to impact the variability of returns from the entity. The Group, at times, must exercise judgement as to whether the combination of power and exposure to variability of returns arising from an entity means it is acting primarily as an agent, or as a principal for its own interests and should therefore consolidate the entity into the results of the Group. See note 4 for more detail on such judgements.

The Group did not consolidate any entity which individually had material non-controlling interest balances, and, as such, no further disclosure on non-controlling interests have been provided in this note.

Financial support given to structured entities

During the year, the Group issued no guarantees (2022: nil) to holders of notes issued by structured entities that the Group consolidates.

Company: investment in subsidiaries

	2023 £000	2022 £000
Sherwood Acquisitions Limited	586,425	577,675
Sherwood Financing plc	50	50
Sherwood Financing 2 Limited[1]	–	–
Total	**586,475**	**577,725**

The investments in subsidiaries are all stated at cost less accumulated impairment, the latter which is zero.

[1] Investment of £1.

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Associates

On 31 December 2021, the Group acquired 49% of the share capital of Maslow Global Limited (Maslow). Maslow currently specialises in UK real estate development finance, the acquisition of which enhances the Group's capabilities in this sector of the market. The total consideration for the investment was £36,750,000 including cash of £24,500,000, £12,250,000 of equity instruments via 3,983,740 shares in the parent company Sherwood Topco Limited in December 2021. The Group entered into a share option agreement to acquire the remaining 51%. On the 22 August 2023, the remaining 51% was acquired by exercise of the option, with Maslow becoming a subsidiary of the Group. The share option was extinguished (valued at £30,286,000 as at 31 December 2022).

Immediately prior to acquisition the 49% shareholding, recognised as an investment associate, was adjusted to its fair value, resulting in a charge of £36,457,000 in other operating expenses.

Fair value movements on the share option derivative in the year up to acquisition resulted in a gain of £12,018,000.

The investment in Maslow prior to full acquisition was recognised as an investment in associate and was equity accounted.

Summarised below is a reconciliation of the movements in the carrying value of the Group's associates during the year:

	£000
Interest in the net assets of the associate as at 1 January 2023	64,150
Share of profit in associate during the year	3,089
Additions	39
Fair value adjustment	(36,457)
Disposals	(30,500)
Interest in the net assets of the associate as at 31 December 2023	321

The £39,000 addition in the year relate to an associate investment in Mica, a Dutch real estate asset and property manager.

Notes to the Financial Statements *(continued)*

22. Portfolio investments

Split of portfolio investments by period:

	2023	2022
	£000	£000
Expected falling due within 1 year	327,982	296,391
Expected falling due after 1 year	518,663	727,465
	846,645	**1,023,856**

Movements in Portfolio investments were as follows:

As at 31 December 2023	**Amortised cost**	**FVTPL**	**Real estate inventories**	**Joint venture**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
As at 1 January 2023 including held for sale	641,194	331,199	51,463	–	1,023,856
Portfolios purchased during the year	33,752	117,893	–	91,511[2]	243,156
Movement in investments awaiting deployment[1]	–	(3,166)	–	–	(3,166)
Acquisitions in the year	–	1,013	–	–	1,013
Collections in the year	(161,769)	(88,570)	(22,146)	(11,378)	(283,863)
Proceeds on sale of non-core UK portfolios[2]	(183,023)	–	–	–	(183,023)
Deferred purchase consideration liability transfer on sale of non-core UK portfolios[3]	(26,208)	–	–	–	(26,208)
Income from portfolio investments at amortised cost	55,462	–	–	–	55,462
Fair value gains on portfolio investments at FVTPL	–	32,433	–	–	32,433
Income from portfolio investments – real estate inventories	–	–	2,403	–	2,403
Share of profit in portfolio joint venture	–	–	–	7,266	7,266
Net impairment losses	(16,088)	–	(795)	–	(16,883)
Loss on sale of UK non-core portfolios	(16,773)	–	–	–	(16,773)
Capital expenditure on real estate inventories	–	–	21,633	–	21,633
Exchange and other movements	(2,720)	(9,825)	2,030	(146)	(10,661)
As at 31 December 2023	**323,827**	**380,977**	**54,588**	**87,253**	**846,645**

[1] Investments awaiting deployment relates to movements in cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which had not completed at the period end.

[2] The £183,023,000 proceeds reflect 100% derecognition of the wholly owned UK portfolios subject to the divestment. 50% of these portfolios have been immediately repurchased into a new category entitled 'Joint venture'. This treatment is required by IFRS. The net proceeds of £91,511,000, have been reported in the underlying collections figure of £375,376,000.

[3] A proportion of the wholly owned UK portfolios subject to the divestment were acquired with the purchase consideration being deferred and still outstanding at the divestment date. As part of the divestment, these liabilities to the original vendor were transferred to Intrum.

Note that for real estate inventories, which are not financial instruments, the balance sheet cash collections figure above is analogous to total sales of inventories, and the net of balance sheet cash collections and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

Notes to the Financial Statements (*continued*)

22. Portfolio investments (*continued*)

As at 31 December 2022 (re-presented)[1]	Amortised cost	FVTPL	Real estate inventories	Total
	£000	£000	£000	£000
Balance at the beginning of the year	704,944	302,808	41,029	1,048,781
Portfolios purchased during the year	37,007	129,500	9,207	175,714
Investments awaiting deployment[2]	–	5,305	–	5,305
Balance sheet cash collections in the year	(233,657)	(134,608)	(11,858)	(380,123)
Income from portfolio investments at amortised cost	97,812	–	–	97,812
Fair value gain on portfolio investments at FVTPL	–	21,351	–	21,351
Income from portfolio investments – real estate inventories	–	–	2,072	2,072
Net impairment losses	8,992	–	138	9,130
Capital expenditure on real estate inventories	–	–	12,114	12,114
Exchange and other movements	26,096	6,843	(1,239)	31,700
As at the 31 December 2022 including held for sale	**641,194**	**331,199**	**51,463**	**1,023,856**
Portfolios moved to assets held for sale[3]	(249,012)	–	–	(249,012)
As at the 31 December 2022 excluding held for sale	**392,182**	**331,199**	**51,463**	**774,844**

[1] Movements in portfolio investments for 2022 has been re-presented to provide a comparative for capital expenditure on real estate inventories previously disclosed within Exchange and other movements. This has been disclosed separately for 2023 and 2022 as such expenditure has become more significant in 2023.

[2] Investments awaiting deployment relates to movements in cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which had not completed at the year end.

[3] Portfolio investments include £249,012,000 in respect of the wholly owned UK portfolios subject to the divestment as at 31 December 2022, which for disclosure purposes has been moved to 'Assets held for sale' on the consolidated statement of financial position. Therefore, there is £392,182,000 of 'portfolio investments – amortised cost' on the consolidated statement of financial position.

Note that for real estate inventories, which are not financial instruments, the balance sheet cash collections figure above is analogous to total sales of inventories, and the net of balance sheet cash collections and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

Notes to the Financial Statements *(continued)*

22. Portfolio investments *(continued)*

Incorporation of forward-looking information

Note 4 includes a description of how the future cash flows are estimated for the Group's portfolio investments. Additionally, the Group incorporates forward-looking information in the measurement of portfolio investments held at amortised cost. The Group formulates different economic scenarios: a base case, which is the central scenario, developed based on consensus forecasts, and several less likely, but plausible, scenarios.

These scenarios reflect the valuation uncertainty of significant inputs, namely ERCs and discount rate, are provided by an external and independent macroeconomic forecasting company, Oxford Economics, and are reviewed internally before being used in the Group's models. To derive these scenarios, Oxford Economics use multiple sources of information, including economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund, and selected private-sector and academic forecasts. These include interest rates, inflation, and HPI, amongst others.

The Group has identified and documented key drivers of credit risk for its portfolio investments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for portfolio investments are: HPI and default rates, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows.

Scenario modelling information

To assist with the understanding of how the Group has modelled the future cash flows which ultimately drive the valuation of the portfolio investment assets.

Key sensitivities

The estimated future cash flows generated by portfolio investments are the key estimates/judgements in these financial statements. Flexing the expected future gross cash flows by -1/+1% would impact the closing carrying value of the portfolio investments as at 31 December 2023 by £7,048,000 (2022: £9,724,000). Note that this sensitivity applies only to 'amortised cost' and 'FVTPL' portfolio investments, as financial instruments under IFRS 7 and 9. Real estate and joint venture portfolio assets are not financial instruments under IFRS 7 and 9.

Macro-economic risk captures the estimation uncertainty most significant to the portfolio investments across all assets. Management use Oxford Economics scenario forecast to assess this risk. If future cash flows were adjusted for key macro-economic inputs as per the most optimistic/pessimistic scenarios, the impact would be as shown in the below table, split by geography and asset class. Note that this sensitivity applies only to 'amortised cost' and 'FVTPL' portfolio investments as above.

2023	**Carrying balance**	**Upside variance**	**Downside variance**
Geography	**£000**	**£000**	**£000**
UK and Ireland	247,672	19,478	(28,542)
Portugal	268,741	105,276	(71,244)
Netherlands	116,514	9,054	(7,859)
Italy	213,718	14,520	(16,141)
	846,645	**148,328**	**(123,786)**

2022	**Carrying balance**	**Upside variance[1]**	**Downside variance[1]**
Geography	**£000**	**£000**	**£000**
UK and Ireland	383,739	6,706	(8,077)
Portugal	244,988	50,985	(45,843)
Netherlands	137,579	17,736	(14,417)
Italy	257,550	12,712	(15,689)
	1,023,856	**88,139**	**(84,026)**

[1] *The held for sale portfolio investments have been excluded from this calculation.*

Notes to the Financial Statements *(continued)*

22. Portfolio investments *(continued)*

2023	**Carrying balance**	**Upside variance**	**Downside variance**
Portfolio asset class	**£000**	**£000**	**£000**
Secured	402,493	68,487	(68,667)
Unsecured	302,311	79,841	(55,119)
Real estate inventories	54,588	N/A	N/A
Joint venture	87,253	N/A	N/A
	846,645	**148,328**	**(123,786)**

2022	**Carrying balance**	**Upside variance[1]**	**Downside variance[1]**
Asset class	**£000**	**£000**	**£000**
Secured	349,185	40,508	(40,422)
Unsecured	623,208	47,631	(43,604)
Real estate inventories	51,463	N/a	N/a
	1,023,856	**88,139**	**(84,026)**

[1] *The held for sale portfolio investments have been excluded from this calculation.*

23. Risks arising from financial instruments

Risk management

Credit risk

One of the Group's principal activities is the acquisition and management of non-performing consumer and commercial unsecured, secured and real estate portfolios, either directly or via its integrated fund management activities. Most portfolios by their nature are impaired at acquisition and the Group (collectively its own portfolio management functions and the fund manager) continually monitors balance sheet cash collections that in turn inform the ERCs on which the portfolio carrying value is calculated. The ongoing risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information of debt types, factoring in sale recoveries from collateral held on the secured portfolios, and obtaining independent expert valuations. Further details of the forecasting process are given in note 4.i.

An investment process is in place to approve investments on the Arrow balance sheet and in respect of Arrow's participation in fund investments through its separately managed account. The Group also monitors its exposure to geographic concentration of assets. This process exists to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Where portfolio investments are measured at FVTPL, either as a percentage ownership of a fund or directly held assets, they are measured using a discounted cash flow model or independent valuations.

Where portfolio investments are measured at amortised cost using the EIR method, as part of the regular monitoring process, the future cash flows in the ERCs are updated, with impairment gains/losses as a result of changes to the estimated cash flows discounted at the EIR rate.

The Group's management of amortised cost assets credit risk is further enhanced through the modelling of multiple economic scenarios and the impact this is expected to have on future balance sheet cash collections performance. All of the Group's amortised cost portfolio investments have been classified as POCI, due to their credit-impaired nature at the date of purchase. Therefore, no consideration has been given to the staging requirements of IFRS 9 for the Group's portfolio assets.

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Risk management *(continued)*

Credit risk (continued)

Given the nature of the assets, most arrangements entered into with counterparties are of a non-contractual nature, where we work to establish, or re-establish, suitable recovery plans that provide appropriate risk-adjusted returns.

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day-to-day working capital is funded by its cash and cash equivalents.

Credit quality analysis

The Group's fair value assets are valued either using a discounted cash flow valuation discounted at a market rate or an independent expert valuation, both of which incorporate a market view of credit risk.

The Group's amortised cost portfolio investments have been classified as purchased or originated as credit impaired (POCI) as they include financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses (ECL) against POCI exposures are always calculated on a lifetime basis (cumulative changes in ECL since initial recognition), and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, any changes in lifetime ECL after initial recognition are recognised in profit or loss. The ECL calculation for POCI assets is based on an ECL over 84-months.

In determining ECLs, the assessment of forward-looking economic assumptions, which are sourced from Oxford Economics, an independent specialist forecasting company, the Group considers a number of macroeconomic scenarios, including assumptions on unemployment, HPI and default rates. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, as well as upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgement and is subject to appropriate internal governance.

Impairment gains/losses are changes to carrying values, discounted at the EIR rate, of the acquired Investment portfolios as a result of reassessments of their estimated future cash flows and are recognised in the line item 'impairment gains on portfolio investments at amortised cost'. There are generally no credit risk mitigants relating to the Group's unsecured portfolio investments.

As all of the Group's amortised cost portfolio assets are POCI, the cash flows are subject to reassessment each period.

The following tables sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated the amounts in the table represent gross carrying amounts.

As at 31 December 2023	**Stage 1-3**	**POCI**	**Total**
	£000	**£000**	**£000**
Portfolio investments – amortised cost	–	323,827	323,827
Loss allowance	–	N/a	N/a
Carrying amount	**–**	**323,827**	**323,827**

As at 31 December 2022	**Stage 1-3**	**POCI**	**Total**
	£000	**£000**	**£000**
Portfolio investments – amortised cost	–	641,194	641,194
Loss allowance	–	N/a	N/a
Carrying amount	**–**	**641,194**	**641,194**

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

The following tables sets out further credit analysis for portfolio investments measured at amortised cost:

As at 31 December 2023

	Secured	Unsecured	Total
Amortised cost portfolio balances	**£000**	**£000**	**£000**
UK and Ireland	25,824	8,169	33,993
Portugal	29,256	102,483	131,739
Netherlands	13,098	32,528	45,626
Italy	36,698	75,771	112,469
Carrying amount	**104,876**	**218,951**	**323,827**

As at 31 December 2022

	Secured	Unsecured	Total
Amortised cost portfolio balances	**£000**	**£000**	**£000**
UK and Ireland	28,247	267,130	295,377
Portugal	34,623	120,862	155,485
Netherlands	1,334	38,595	39,929
Italy	32,749	117,654	150,403
Carrying amount	**96,953**	**544,241**	**641,194**

Portfolio balances are based on the customer's country of domicile.

The Group's maximum exposure to credit risk on portfolio investments is considered equal to the current carrying balance of such portfolio investments.

Information on collateral held against amortised cost secured loans

The following table stratifies credit exposures from secured portfolio investments held at amortised cost by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral is based on the most recent appraisals. LTV stratification is deemed a more relevant measure of the value of collateral held against secured loans than gross collateral values held, which may include an amount which is not due to the Group upon realisation.

	2023	2022
LTV Ratio	**£000**	**£000**
Less than 50%	31,765	28,515
51-70%	9,823	7,829
71-90%	9,344	7,267
91-100%	2,734	2,281
More than 100%	51,210	51,061
	104,876	**96,953**

Other types of credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

Assets obtained by taking possession of collateral

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operation.

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Significant increase in credit risk

There are no significant increases or decreases in credit risk since origination as all portfolio investments have been deemed to be purchased or originated credit impaired on initial recognition.

Cash and cash equivalents

As part of credit risk, the Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency and derivative financial instruments. Counterparty risk with debt sellers is managed through contractual arrangements and warranties.

The Group generally deposits cash and undertakes currency and derivative transactions with highly rated banks, with limits on the level of exposure to any one institution. Institutions with lower credit ratings can only be used with board approval.

No collateral or credit enhancements are held in respect of any financial derivatives. The maximum credit risk on derivatives and trade receivables is the full carrying amount. The maximum exposure to counterparty risk is as follows:

	2023	**2022**
	£000	**£000**
Cash and cash equivalents	114,683	143,603

The table represents a worst-case scenario of the counterparty risk that the Group is exposed to. The 31 December 2023 balance is spread across a number of counterparties with the top five accounting for 52% (2022: 55%) of the total. The maximum exposure to one counterparty is £18 million (2022: £35 million).

The cash and cash equivalents are held with banks and financial institution counterparties whose external credit ratings, by either S&P Global Ratings or Moody’s Investor Service, are as follows:

	2023	**2022**
	%	**%**
AA	25	12
A	34	47
Below A	41	41
Total cash and cash equivalents	**100**	**100**

Treasury-related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risks are managed within set limits. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group’s business operations. No transactions of a speculative nature are undertaken, and written options may only be used when matched by purchased options. No treasury-related written options were entered into during 2023 (2022: nil).

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The treasury policy adopted by the Group serves to reduce this risk by setting a specific policy parameter that there are sufficient committed debt facilities and cash and cash equivalents to meet contractual maturities on borrowing facilities plus an operational headroom. In addition, the Group has a medium-term target to maintain leverage of circa 3 times, there is an appropriate refinancing profile and it has diversified funding sources with no over-reliance on a single or small group of lenders or type of funding. At 31 December 2023, the Group's senior secured notes, revolving credit facility and asset-backed security transaction had an average period to maturity of 3.2 years (2022: 4.2 years). Total cash and undrawn facilities, which excludes cash that may be subject to constraints regarding when the balance can be remitted, were £226.6 million at 31 December 2023 (2022: £248.4 million).

The treasury function monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well-established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group is highly cash generative with regular cash receipts and portfolio purchases and related additional capital additions are discretionary, which helps to mitigate liquidity risk.

The key measure used by the Group for managing liquidity risk is liquidity headroom, which includes cash and cash equivalents and the headroom under the revolving credit facility. Liquidity headroom excludes cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. Details of the liquidity headroom as at the reporting date and during the reporting period were as follows:

	2023	**2022**
	£000	**£000**
At 31 December	226,611	248,368
Average for the period	234,706	252,117
Minimum for the period	186,463	210,531
Maximum for the period	293,856	297,807

Notes to the Financial Statements *(continued)*
23. Risks arising from financial instruments *(continued)*
Maturity analysis

The table below sets out the remaining contractual maturities (undiscounted) of the Group's financial liabilities and financial assets and includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

Group **As at 31 December 2023**	**Less than 1 month** **£000**	**Within 1 year** **£000**	**1-2 years** **£000**	**3-5 years** **£000**	**More than 5 years** **£000**	**Total** **£000**
Financial liability by type:						
Trade and other payables	4,664	123,830	3,086	31,211	3,729	**166,520**
Lease liabilities	–	6,182	10,527	7,175	4,449	**28,333**
£350 million secured senior note (6%)	–	21,000	21,000	371,000	–	**413,000**
€640 million secured senior note (4.625% plus 3-month Euribor)	–	45,691	37,981	629,394	–	**713,066**
€400 million secured senior note (4.5%)	–	15,605	15,605	362,375	–	**393,585**
Revolving credit facility[1]	1,113	11,114	10,012	162,419	–	**184,658**
Asset-backed securitisation	–	–	–	–	–	–
Other borrowings						
Bank overdrafts	6,214	–	–	–	–	**6,214**
Total financial liabilities	**11,991**	**223,422**	**98,211**	**1,563,574**	**8,178**	**1,905,376**
Financial asset by type:						
Cash and cash equivalents	114,683	–	–	–	–	**114,683**
Portfolio investments	11,163	278,251	203,664	433,688	116,346	**1,043,112**
Total financial assets	**125,846**	**278,251**	**203,664**	**433,688**	**116,346**	**1,157,795**

[1] *Reflects all drawings at 31 December 2023 being held to the facility maturity date of April 2026.*

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Group **As at 31 December 2022**	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	10,006	121,630	8,202	31,361	3,401	**174,600**
Lease liabilities	–	7,312	18,838	4,955	5,149	**36,254**
£350 million secured senior note (6%)	–	21,000	21,000	392,000	–	**434,000**
€640 million secured senior note (4.625% plus 3-month Euribor)	–	43,040	46,523	698,652	–	**788,215**
€400 million secured senior note (4.5%)	–	15,936	15,936	386,012	–	**417,884**
Revolving credit facility[1]	974	11,563	12,860	187,946	–	**213,343**
Asset-backed securitisation	2,099	6,274	–	–	–	**8,373**
Other borrowings	–	–	1,903	23	–	**1,926**
Bank overdrafts	8,423	–	–	–	–	**8,423**
Total financial liabilities	**21,502**	**226,755**	**125,262**	**1,700,949**	**8,550**	**2,083,018**
Financial asset by type:						
Cash and cash equivalents	143,603	–	–	–	–	**143,603**
Portfolio investments	16,895	280,646	411,070	566,225	180,310	**1,455,146**
Total financial assets	**160,498**	**280,646**	**411,070**	**566,225**	**180,310**	**1,598,749**

[1] *Reflects all drawings at 31 December 2022 being held to the facility maturity date of April 2026.*

The above table includes a maturity analysis for financial assets that it holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities – to enable the user to evaluate the nature and extent of the Group's and the Company's liquidity risk.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents which can be readily used to meet liquidity requirements. In addition, the Group maintains a committed revolving credit facility provided by a syndicate of banks.

The non-derivative financial liabilities and financial assets are calculated based upon the undiscounted cash flows, which include estimated interest payments. The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position date.

Company **As at 31 December 2023**	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	3,228	529	480	1,699	1,601	7,537
Total financial liabilities	**3,228**	**529**	**480**	**1,699**	**1,601**	**7,537**

Company **As at 31 December 2022**	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	651	–	–	–	–	651
Total financial liabilities	**651**	**–**	**–**	**–**	**–**	**651**

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities, and interest rate swap derivative assets and liabilities, which are all designated as cash flow hedges:

	2023		2022	
	Outflow £000	**Inflow £000**	**Outflow £000**	**Inflow £000**
Not later than one month	42	–	–	–
Later than one month and not later than six months	–	1,386	1,595	–
Later than six months and not later than one year	36	–	–	785
Later than one year and not later than two years	1,832	–	–	1,291
Later than two years and not later than five years	1,098	–	365	–
Total	**3,008**	**1,386**	**1,960**	**2,076**

The above table shows the gross contractual undiscounted cash flows receivable and payable on the derivative financial instruments.

The net cash flow exposure as at 31 December 2023 is £(1,622,000) (2022: £116,000).

Financial assets pledged as collateral

See note 27 for more information.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk and are considered further below. Note that the Group does not hold any trading portfolios for the purposes of these disclosures.

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates on its borrowings, principally on the floating rate senior secured notes, and therefore seeks to limit this exposure. This is achieved by the use of techniques to fix interest rate costs, including fixed-rate funding (predominantly longer-term bond funding), bank borrowing loan draw down periods and interest rate hedging instruments. These techniques are used to hedge the interest rate costs on a proportion of borrowings over a certain period of time. Most hedging is for up to three years.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2023 £000	**2022 £000**
Fixed-rate instruments		
Financial liabilities	696,771	704,139
	696,771	**704,139**
Variable-rate instruments		
Financial assets	(114,683)	(143,603)
Financial liabilities	720,816	755,555
Effect of interest rate swaps	(346,771)	(354,139)
	259,362	**257,813**

If interest rates across all countries of operation increased by 50 basis points this would have the following impact:

	2023 £000	**2022 £000**
Reduction in profit before taxation	(1,297)	(1,254)

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Exposure to interest rate risk *(continued)*

This sensitivity analysis is based on the following assumptions:

- the change in market interest rates occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rates affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk: cash flow exposure, net asset exposure and income statement exposure.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are highly likely to arise in the following 12 months. Where cash flow hedges have been entered into, they are designated as cash flow hedges on specific future transactions.

Net asset exposure

A proportion of the Group's net assets are denominated in Euro. The Group limits its exposure to currency risk on non-functional funding through forward currency contracts and net investment hedges. The statement of financial position is reported in Sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Group. The Group aims to minimise, to an acceptable level of appetite, the value of net assets denominated in Euro by funding portfolio assets with Euro denominated borrowings, or designating net investment hedges, where possible.

Income statement exposure

As with net assets, a proportion of the Group's profit is denominated in Euro but translated into Sterling for reporting purposes. The result for the period is translated into Sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rate relative to the Euro will have an impact on the consolidated result for the period.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% stronger than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase/(decrease) as follows:

	2023	2022
Equity and net assets	**£000**	**£000**
Currency		
Euro (EUR)	(93,512)	(62,199)
	(93,512)	**(62,199)**
Net profit		
Currency		
Euro (EUR)	(2,926)	(4,141)
	(2,926)	**(4,141)**

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Foreign currency sensitivity analysis *(continued)*

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

If foreign exchange rates had been 10% weaker than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase/(decrease) as follows:

	2023	2022
Equity and net assets	**£000**	**£000**
Currency		
Euro (EUR)	76,510	51,311
	76,510	**51,311**
Net Profit		
Currency		
Euro (EUR)	2,394	2,295
	2,394	**2,295**

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is currently not required to hold regulatory capital but has a medium-term target to maintain leverage (calculated as secured net debt over Adjusted EBITDA) of circa 3.0.

The Group aims to maintain appropriate capital to ensure that it has a strong statement of financial position but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance.

The capital structure of the Group consists of cash, cash equivalents debt and equity.

Management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at 31 December 2023 was:

	2023	2022
	£000	**£000**
Ordinary share capital and premium	586,422	577,672
Other reserves	(281,868)	(153,043)
Total equity and reserves	**304,554**	**424,629**

Notes to the Financial Statements *(continued)*

24. Financial assets and liabilities

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below. The Group does not apply 'offsetting' to any of its financial assets and liabilities.

As at 31 December 2023	**Mandatorily at FVTPL**	**Amortised cost**	**Total carrying amount**	**Total fair value**
	£000	**£000**	**£000**	**£000**
Portfolio investments	380,977	323,827	704,804	705,328
Cash and cash equivalents	–	114,683	114,683	114,683
Derivative asset	558	–	558	558
Other receivables classified as financial assets	–	79,891	79,891	79,891
Total financial assets	**381,535**	**518,401**	**899,936**	**900,460**

As at 31 December 2022	**Mandatorily at FVTPL**	**Amortised cost**	**Total carrying amount**	**Total fair value**
	£000	**£000**	**£000**	**£000**
Portfolio investments	331,199	641,194	972,393	967,119
Cash and cash equivalents	–	143,603	143,603	143,603
Derivative asset	808	–	808	808
Other receivables classified as financial assets	–	75,926	75,926	75,926
Total financial assets	**332,007**	**860,723**	**1,192,730**	**1,187,456**

As at 31 December 2023	**Mandatorily at FVTPL**	**Amortised cost**	**Total carrying amount**	**Total fair value**
	£000	**£000**	**£000**	**£000**
Senior secured notes	–	1,246,132	1,246,132	1,182,154
Revolving credit facility	–	157,592	157,592	157,592
Bank overdrafts	–	6,214	6,214	6,214
Other borrowings	–	24,482	24,482	24,482
Derivative liability	2,381	–	2,381	2,381
Trade and other payables classified as financial liabilities	–	106,695	106,695	106,695
Total financial liabilities	**2,381**	**1,541,115**	**1,543,496**	**1,479,518**

Notes to the Financial Statements *(continued)*
24. Financial assets and liabilities *(continued)*

As at 31 December 2022	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
	£000	£000	£000	£000
Senior secured notes	–	1,258,358	1,258,358	1,077,795
Revolving credit facility	–	169,104	169,104	169,104
Asset-backed loans	–	8,246	8,246	8,246
Bank overdrafts	–	8,423	8,423	8,423
Other borrowings	–	13,590	13,590	13,590
Derivative liability	30,335	–	30,335	30,335
Trade and other payables classified as financial liabilities	3,197	123,401	126,598	126,598
Total financial liabilities	**33,532**	**1,581,122**	**1,614,654**	**1,434,091**

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For instruments that trade infrequently and have little price transparency, fair value is less objective, and required judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted market prices within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

Application to the Group's financial assets and liabilities

The fair value of amortised cost portfolio investments has been calculated by observing the compression in market yields over time and applying the difference between current average market IRRs for the Group's most recent vintage, and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio. As this calculation is based on unobservable inputs, these fair values would be categorised as level 3 values. The primary unobservable input to which this valuation is sensitive to is the current market rates for portfolios. A 1% rise/fall in this rate would lead to a reduction/uplift in fair value £(8,991,000)/£9,298,000 (2022: £(14,011,000)/£14,494,000).

The fair value of cash and cash equivalents and the revolving credit facility are deemed to be equal to their carrying amount.

The carrying value of other receivables and payables classified as financial assets/liabilities is deemed to be a good approximation of their fair value, due to their short maturity and low credit risk. These would be considered as level 3 fair values.

Notes to the Financial Statements *(continued)*

24. Financial assets and liabilities *(continued)*

The fair value of the senior secured notes has been calculated by reference to broker quotes that are based on observable market inputs and therefore would be included as level 2 in the fair value hierarchy table should the liability have been held at fair value.

Derivative financial instruments are held at fair value, which is equal to the discounted expected future cash flows arising as a result of the derivative transaction. For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	2023	2022
Level 2	**£000**	**£000**
Liabilities:		
Derivative liabilities	(2,381)	–

	2023	2022
Level 3	**£000**	**£000**
Assets:		
Portfolio investments	380,977	331,199
Liabilities:		
Contingent consideration	–	(3,197)
Derivative liabilities	–	(30,335)
	380,977	**297,667**

There have been no transfers between level 2 or level 3.

The fair value of derivative financial instruments used for risk management purposes has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December 2023.

Total gains on portfolio investments recognised at FVTPL have been presented in the income statement as 'Fair value gains on portfolio investments at FVTPL'. The fair value of portfolio investments recognised as FVTPL has been calculated by using a discounted cash flow model. The significant unobservable inputs used in the calculation of portfolio investments categorised as level 3 in the fair value hierarchy are estimated future cash flows (ERCs) derived from management forecasts and the discount rate appropriate to the investment and the anticipated rate of return.

The total 84-month ERC value for the Group's portfolio investments held at FVTPL is £605,867,000 (2022: £524,464,000), with an average discount rate of 29.4% (2022: 24.4%). An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at FVTPL of £3,810,000/£(3,810,000) (2022: £3,312,000/£(3,312,000)). An increase/decrease in the discount rate of 2% would lead to a decrease/increase in the carrying value of portfolio investments held at FVTPL of £(9,845,000)/£10,507,000 (2022: (£9,488,000)/£10,064,000.

The total ERC value for the Group's portfolio investments held at amortised cost is £411,862,000 (2022: 898,975,000), with an average discount rate of 23.3% (2022: 22.1%). An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at amortised costs of £3,238,000/£(3,238,000) (2022: £6,412,000/£(6,412,000)). An increase/decrease in the discount rate of 1% would lead to a decrease/increase in the carrying value of portfolio investments held at amortised of £(3,990,000)/£4,131,000 (2022: £(9,198,000)/£9,537,000). A full reconciliation between the opening and closing portfolio investments held at FVTPL has been provided in note 22. For a fuller description of how the future cash flows are estimated, please refer to note 4.

Notes to the Financial Statements *(continued)*

24. Financial assets and liabilities *(continued)*

Reconciliation of level 3 fair values – contingent consideration

Contingent consideration – level 3	2023 £000	2022 £000
As at the beginning of the year	3,197	495
Acquired on acquisition of subsidiary	-	2,248
Exchange rate differences	(72)	130
Fair value adjustments	4,365	(500)
Unwind of discounting	1,362	824
Payments	(8,852)	-
As at the year end	-	**3,197**

Deferred contingent consideration arose on the acquisition of Details during 2022. The deferred contingent consideration was settled in the year as required upon exercise of the option to acquire the remaining 25%.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments, receipts and exposure to currency rate fluctuations. The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2023 is £33,377,000 (2022: nil). The fair value as at 31 December 2023 £16,000 (2022: nil).

Financial instruments not measured at fair value – fair value hierarchy

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Level 3	2023 £000	2022 £000
Assets:		
Portfolio investments – amortised cost	**323,827**	**641,194**

There have been no transfers in or out of level 3. However, it has been determined that deferred consideration liabilities qualify as level 3 financial liabilities held at amortised cost. The statement of financial position value of the Group's portfolio investments not measured at fair value, is derived from discounted cash flows generated by an internal model. For a full description of how the future cash flows are estimated, please refer to note 4. Following acquisition, the fair value will move directionally in line with carrying amount but may deviate as market conditions change.

The Group has an established control framework covering the measurement of portfolio investment carrying values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a semi-annual basis, reviews actual against forecast gross money multiple, approves the latest ERC forecast, assesses the carrying value of the portfolio assets and reviews revenue recognition. A reconciliation of the opening to closing balances for the period of the portfolio investments can be seen in note 22.

The Company did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated.

Notes to the Financial Statements *(continued)*

25. Unconsolidated structured entities

Unconsolidated structured entities are all structured entities that the Group has an interest in, but does not control. The Group uses structured entities in the normal course of business to facilitate acquisitions of portfolios in accordance with local law, to allow co-investment with other parties, or to implement the financing required to acquire portfolios.

In addition to exposures to unconsolidated structured entities, the Group also undertakes asset management and servicing activities for certain structured entities in which the Group has no other interests. Such activities are charged at a market rates, on terms normal for the industry, and are considered to be a typical customer/supplier relationship per the meaning of this term set out in IFRS 12.

Nature and risks associated with Group interests in unconsolidated structured entities:

Geography of operations

As at 31 December 2023	**UK and Ireland**	**Portugal**	**Italy**	**Netherlands**
Underlying asset type				
Loan receivables	9	10	4	5
Number of entities	**9**	**10**	**4**	**5**

As at 31 December 2023	**UK and Ireland**	**Portugal**	**Italy**	**Netherlands**
Portfolio investments	**£000**	**£000**	**£000**	**£000**
FVTPL	118,038	101,316	80,581	70,887
Amortised cost	–	–	–	–
Total assets	**118,038**	**101,316**	**80,581**	**70,887**
Total liabilities	**–**	**–**	**–**	**–**

As at 31 December 2022	**UK and Ireland**	**Portugal**	**Italy**	**Netherlands**
Underlying asset type				
Loan receivables	8	9	4	5
Number of entities	**8**	**9**	**4**	**5**

As at 31 December 2022	**UK and Ireland**	**Portugal**	**Italy**	**Netherlands**
Portfolio investments	**£000**	**£000**	**£000**	**£000**
FVTPL	74,531	53,117	87,922	97,651
Amortised cost	–	–	–	–
Total assets	**74,531**	**53,117**	**87,922**	**97,651**
Total liabilities	**–**	**–**	**–**	**–**

The maximum exposure to loss is the carrying value of the instruments summarised above, due to the nature of the Group's holdings at the fact that no additional support has been provided or committed to the vehicles.

Unconsolidated structured entities in which the Group holds an interest are typically financed by a form of junior profit participation note, and in some instances also have senior secured or senior unsecured liabilities to which the junior positions are subordinated.

Notes to the Financial Statements *(continued)*

26. Share-based payments

Management incentive plan

In 2022, the Group established a management incentive plan that entitles key management personnel and senior employees to purchase shares in Sherwood Topco Limited, the top consolidating Group in the structure. In accordance with this plan, holders were entitled to purchase shares at the fair value market price of the shares at grant date. In 2023 as part of the MIP further purchases of M3 shares have been made by participants.

In considering the MIP plan in line with IFRS 2, the M3 shares issued were considered to contain performance conditions that should be accounted for under IFRS 2. The M3 shares are subject to vesting and leaver provisions over the period to TDR exit or partial exit.

The M3 shares were issued at £1 with 1,463,386 issued during the year (2022: £1 per share, with 4,778,324 issued during the year).

No charge for the M3 shares has been charged through the consolidated statement of profit or loss during the year as the fair value of these shares is equal to the price paid by management. The fair value of the shares issued has been estimated at grant using the Black-Scholes option pricing model.

27. Borrowings

	2023	2022
	£000	£000
Senior secured notes net of transaction fees of £16,297,000 (2022: £21,745,000)	1,246,132	1,258,358
Revolving credit facility net of transaction fees of £2,176,000 (2022: £3,109,000)	157,592	169,104
Asset-backed loans net of transaction fees of £nil (2022: £73,000)	–	8,246
Bank overdrafts	6,214	8,423
Other borrowings	24,482	13,590
Total borrowings	**1,434,420**	**1,457,721**
Total borrowings		
Amount due for settlement within 12 months	178,580	186,771
Amount due for settlement after 12 months	1,255,840	1,270,950
	1,434,420	**1,457,721**

As at 31 December 2023, £7.0 million of the portfolio investments (2022: £104.9 million), set out in note 22, are pledged as collateral for borrowings.

Senior secured notes

On 27 October 2021, the Group successfully priced €400 million 4.5% Euro fixed rated bonds due November 2026, €640 million 4.625% over three months EURIBOR floating rate notes due November 2027, and £350 million 6% fixed rate bonds due November 2026, with the proceeds being used to prepay all the outstanding bonds at that time and certain drawings under the revolving credit facility. The bonds were issued by Sherwood Financing plc and the floating rate notes are subject to a zero percent EURIBOR floor. The bonds are secured on the majority of the Group's assets and subject to market conditions, the Group may initiate a repurchase.

Revolving credit facility

On 6 October 2021, the Group entered into a new £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The margin is subject to a ratchet downwards based upon decreasing leverage levels. The facility ranks senior secured and therefore has a similar security package to the cancelled facility and the bonds issued during 2021. Under the terms of an intercreditor agreement, the facility ranks super senior to the bonds as any obligations under the facility will be settled in advance of any obligations under the bonds.

Notes to the Financial Statements *(continued)*

27. Borrowings *(continued)*

The group entered into two ancillary facilities utilising the existing commitment under the revolving credit facility during 2023. The ancillary facilities, being a bank guarantee for £1.5 million and an overdraft facility of £10 million, have reduced the revolving credit facility commitment by a total of £11.5 million. Unutilised overdraft facility is included within headroom under the revolving credit facility for the purpose of calculating liquidity headroom.

Asset-backed securitisation

The Group has repaid in full the non-recourse committed asset-backed securitisation term loan (31 December 2022 balance; £8.3 million).

The loan was secured on UK unsecured assets, paid SONIA plus 3.1% and has a spread adjustment cost of 0.0325%. The Group initially established a £100 million asset-backed facility in April 2019 with £137 million of ERC being sold to a wholly owned subsidiary, AGL Fleetwood Limited, and further ERC has been sold to AGL Fleetwood Limited at various times since the initial set up allowing further borrowings to be drawn.

Other borrowings

The Group holds a number of portfolio investments in special purpose entities. Other borrowings primarily consist of debt financing in these entities, or liabilities to other investors where the Group fully consolidates the special purpose entity due to having control. The increase in the year is due to increasing capital expenditure on certain portfolios being funded by debt finance.

Notes to the Financial Statements *(continued)*

27. Borrowings *(continued)*

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Senior secured notes £000	Asset-backed loans £000	Revolving credit facility £000	Lease liabilities £000	Deferred and contingent consideration £000	Other borrowings £000	Total £000
		£000	£000	£000	£000	£000	£000
Balance at 31 December 2022	**1,258,358**	**8,246**	**169,104**	**25,228**	**26,630**	**52,348**	**1,539,914**
Acquired on acquisition of subsidiary	**–**	**–**	**–**	**–**	**–**	**325**	**325**
Movement in other banking facilities	–	–	(12,017)	–	–	(3,388)	(15,405)
Net proceeds from revolving credit facility	–	–	–	–	–	11,883	11,883
Repayment of asset-backed loans	–	(8,297)	–	–	–	–	(8,297)
Repayment of interest on issued notes	(79,165)	–	–	–	–	–	(79,165)
Payments on lease liabilities	–	–	–	(5,642)	–	–	(5,642)
Banking facility interest and other fees paid	–	–	(12,339)	–	–	(534)	(12,873)
Payment of deferred interest	–	–	–	–	–	–	–
Total changes from financing cash flows	**(79,165)**	**(8,297)**	**(24,356)**	**(5,642)**	**–**	**7,961**	**(109,499)**
Liability-related							
Interest expense on issued notes	80,585	75	–	–	–	–	80,660
Amortisation of capitalised transaction fees	5,098	112	933	–	–	–	6,143
Banking facility interest and other fees	–	–	13,038	–	–	(776)	12,262
Interest rate swap and hedge costs	–	–	–	–	–	(254)	(254)
Other interest including on finance leases	–	–	–	1,805	133	2,075	4,013
Refinancing	–	–	–	–	–	111	111
Total interest and similar charges	**85,683**	**187**	**13,971**	**1,805**	**133**	**1,156**	**102,935**
The effect of changes in foreign exchange rates	(18,904)	–	(428)	(342)	–	(205)	(19,879)
Capitalised transaction fees	149	–	–	–	–	2,261	2,410
Net deferred consideration commitments	–	–	–	–	(26,026)	–	(26,026)
Other changes	11	(136)	(699)	5,265	–	(30,769)	(26,328)
Total liability-related changes	**(18,744)**	**(136)**	**(1,127)**	**4,923**	**(26,026)**	**(28,713)**	**(69,823)**
Balance at 31 December 2023	**1,246,132**	**–**	**157,592**	**26,314**	**737**	**33,077**	**1,463,852**

Other borrowings

	2023	2022
	£000	£000
Other borrowings	24,482	13,590
Bank overdrafts	6,214	8,423
Derivative liability	2,381	30,335
	33,077	**52,348**

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking

Current year acquisitions

a. Maslow

On 22 August 2023, the Group acquired the remaining 51% of the share capital of Maslow Capital Global Limited. Maslow is a leading provider of real estate finance. The total consideration for the acquisition is £61,000,000, consisting of £40,000,000 cash and £8,750,000 of equity instruments for the remaining 51%, additional to the fair value of the previously held 49% of £30,500,000 and the fair value of share option derivative liability of £18,250,000 held immediately prior to the acquisition.

The equity instrument fair value was determined in relation to an internal assessment of the Group's equity value based on earnings multiples.

In the period from acquisition to 31 December 2023, Maslow contributed income of £1,226,000 and loss after tax contribution of £60,000 to the consolidated results for the year. If the acquisition had occurred on 1 January 2023, Group total income would have been higher by an estimated £6,860,000 and loss after tax would have increased by an estimated £183,000.

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

	Book value 22 August 2023	Fair value adjustments 22 August 2023	Fair value 22 August 2023
	£000	£000	£000
Intangible assets	–	22,832	22,832
Cash and cash equivalents	1,840	–	1,840
Trade and other receivables	938	–	938
Portfolio investments	1,013	–	1,013
Property, plant and equipment	30	–	30
Other liabilities	(2,970)	–	(2,970)
Bank overdrafts	(216)	–	(216)
Trade and other payables	(1,097)	–	(1,097)
Current tax liability	(19)	–	(19)
Total identifiable net assets	**(481)**	**22,832**	**22,351**
Goodwill on acquisition			38,649
			61,000
Non-controlling interest			–
			61,000
Consideration:			
Cash consideration			40,000
Equity instruments			8,750
Fair value of previously held 49% of share capital in Maslow Capital Global Limited			30,500
Fair value of share option derivative			(18,250)
			61,000

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Cash impact of acquisition in the year:	**£000**
Cash consideration	40,000
Cash and cash equivalents acquired	(1,840)
	38,160

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired under IFRS 13 were as follows.

Intangible assets – customer intangibles	*Multi-period excess earnings method* The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets

Fair values measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill from the acquisition has been recognised as follows:

	£000
Consideration transferred	61,000
Fair value of identifiable net assets	(22,351)
	38,649

Management have assessed goodwill to be related primarily to expected revenue synergies in the combined lending product offering, as well as the assembled workforce to a lesser degree.

Acquisition related costs

The Group incurred acquisition-related costs of £525,000 on advisory fees and execution costs. These costs have been included in other operating expenses.

Current year acquisitions

b. Eagle Street

On 29 March 2023, the Group acquired 100% of the share capital of Eagle Street Partners Limited, a real estate asset manager and developer focused primarily on the UK and Ireland. The total consideration for the acquisition is cash of £8,000,000.

In the period from acquisition to 31 December 2023, Eagle Street contributed income of £3,607,000 and loss after tax contribution of £281,000 to the consolidated results for the year. If the acquisition had occurred on 1 January 2023, Group total income would have been higher by an estimated £795,000 and loss after tax would have decreased by an estimated £167,000.

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

	Book value 29 March 2023	Fair value adjustments 29 March 2023	Fair value 29 March 2023
	£000	**£000**	**£000**
Cash and cash equivalents	227	–	227
Trade and other receivables	999	–	999
Property, plant and equipment	193	–	193
Intangible assets	90	–	90
Deferred tax assets	408	–	408
Bank overdrafts	(109)	–	(109)
Trade and other payables	(1,018)	–	(1,018)
Current tax liability	(13)	–	(13)
Total identifiable net assets	**777**	–	**777**
Goodwill on acquisition			7,223
			8,000
Non-controlling interest			–
			8,000
Consideration:			
Cash consideration			8,000
			8,000

Cash impact of acquisition in the year:	**£000**
Cash consideration	8,000
Cash and cash equivalents acquired	(227)
	7,773

Measurement of fair values

The assets and liabilities acquired primarily related to short term working capital positions. No further assets and liabilities were identified. Therefore, no fair value adjustments have been applied.

Fair values measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill from the acquisition has been recognised as follows:

	£000
Consideration transferred	8,000
Fair value of identifiable net assets	(777)
	7,223

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Prior year acquisition

a. Details

On 3 August 2022, the Group acquired 75% of the share capital of the operating company Details – Hotels & Resorts, SA and 100% of the share capital of Caprice Prestige, SA, together "Details". Details is a Portuguese hotel and asset manager, expanding the Group's Portuguese real estate platform capabilities. The total consideration for the acquisition is €16,441,000 (£13,760,000), consisting of €13,755,000 (£11,512,000) cash and €2,686,000 (£2,248,000) deferred contingent consideration. As part of the purchase, the Group has acquired an option to purchase the remaining 25% of the operating company.

In the period from acquisition to 31 December 2022, Details contributed income of £7,212,000 and profit after tax contribution of £1,561,000 to the consolidated results for the year. If the acquisition had occurred on 1 January 2022, Group total income would have been higher by an estimated £5,880,000 and loss after tax would have increased by an estimated £1,954,000.

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

		Book value 3 August 2022	Fair value adjustments 3 August 2022	Fair value 3 August 2022
		£000	**£000**	**£000**
Cash and cash equivalents		4,780	–	4,780
Trade and other receivables		1,722	–	1,722
Portfolio investments		7,126	2,081	9,207
Property, plant and equipment		7,312	–	7,312
Deferred tax asset	10	441	–	441
Bank overdrafts		(2,866)	–	(2,866)
Trade and other payables		(9,616)	–	(9,616)
Current tax liability		(70)	–	(70)
Deferred tax liability	10	(1,099)	–	(1,099)
Total identifiable net assets		**7,730**	**2,081**	**9,811**
Goodwill on acquisition				5,467
				15,278
Non-controlling interest				**(1,518)**
				13,760
Consideration:				
Cash consideration				11,512
Deferred contingent consideration				2,248
				13,760

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Cash impact of acquisition in the year:	**£000**
Cash consideration	11,512
Purchase of portfolio investment	(9,207)
	2,305
Cash and cash equivalents acquired	(4,780)
	(2,475)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired under IFRS 13 were as follows.

Portfolio investments	*Market comparison technique and income approach* The valuation model considers market valuations for portfolios where available.

Lease assets and liabilities have been remeasured at the acquisition date under IFRS 16.

Fair values measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill from the acquisition has been recognised as follows:

	£000
Consideration transferred	13,760
Non-controlling interest	1,518
Fair value of identifiable net assets	(9,811)
	5,467

Acquisition related costs

The Group incurred acquisition-related costs of €364,000 on advisory fees and execution costs. These costs have been included in other operating expenses.

Notes to the Financial Statements *(continued)*

29. Disposal of held for sale assets and liabilities

In May 2023, the Group sold its UK unsecured servicing platform to Intrum UK. The divestment, which includes the Capquest and Mars UK platforms as well as the majority of the wholly owned unsecured UK portfolios, aligns with the group's strategic trajectory towards becoming the leading European vertically integrated asset manager.

The platform was not previously classified as a discontinued operation due to it not being a constituent part of the Integrated Fund Management CGU, but the assets and liabilities were classified as held-for-sale alongside the portfolio assets sold, both immediately prior to sale and as at 31 December 2022.

Effect of disposal on the financial position of the Group

Cash and cash equivalents		1,122
Portfolio investments – amortised cost	**22**	225,754
Intangible assets	**12**	12,598
Property, plant and equipment	**13**	5,797
Deferred tax asset	**10**	1,143
Trade and other receivables	**14**	14,310
Assets held for sale pre impairment on reclassification and cost to sell		260,724
Trade and other payables	**15**	(34,047)
Deferred tax liability	**10**	(1,482)
Current tax liability		-
Liabilities held for sale pre impairment on reclassification and cost to sell		**(35,529)**
Net assets and liabilities		**225,195**

As at 31 May 2023	**Book value**	**Purchase price**	**Gain/ (loss)**
	£000	**£000**	**£000**
Portfolio asset purchase agreements	200,480	183,023	(17,457)
Capquest and Mars UK platform share purchase agreements	19,246	38,773	19,527
Selling costs	–	(6,000)	(6,000)
Arrow Global acquisition fair value adjustments	5,469	–	(5,469)
Total	**225,195**	**215,796**	**(9,399)**
Remeasurement of held for sale assets and liabilities as at 31 December 2022			21,342
Gain on disposal of held for sale assets and liabilities			**11,943**

Cash impact of acquisition in the year:	**£000**
Cash consideration for platform subsidiaries	38,773
Cash and cash equivalents disposed of	(1,122)
Disposal of subsidiary, net of cash	**37,651**
Proceeds of asset sale	183,023
Purchase of joint venture investment	(91,511)
Net balance sheet cash collection	**91,512**

Notes to the Financial Statements *(continued)*

30. Disposal group held for sale

Prior year disposal group held for sale

a. Capquest and Mars UK

Following a strategic review, in Q3 2022, Arrow agreed to divest our non-core UK platforms, Capquest and Mars UK, to Intrum UK, subject to customary closing conditions including regulatory approval. The high levels of competition and overcapacity in the UK unsecured debt management sector had driven lower risk-adjusted returns.

In line with applicable accounting standards, the assets and liabilities subject to the agreement, including 100% of the UK unsecured assets, were reclassified to 'assets held for sale' and 'liabilities held for sale' and remeasured at their expected proceeds less costs to sell.

Impairment losses relating to the disposal group in the prior year

As a result of the remeasurement of the assets and liabilities to their expected proceeds less costs to sell, an impairment of £21.3 million was recognised in other operating expenses and adjusting items when considering the underlying position in the prior year. Of the £21.3 million impairment, £8.5 million represented the difference between the carrying value of the portfolios as at December versus proceeds post lock-box date, together with proceeds for the platforms less the short-term working capital requirements, £6.0 million represented transaction and separation costs and £6.8 million had arisen due to write-off of intangible and sundry assets in connections with the platforms.

Assets and liabilities of disposal group held for sale in the prior year

There are no assets or liabilities held for sale as at 31 December 2023.

The below table details the assets and liabilities in the disposal group classified as held for sale as at 31 December 2022. Remeasurement under IFRS 5 was applied to non-current assets within the scope of IFRS 5.

31 December 2022	**Note**	**Held for sale £000**
Portfolio investments – amortised cost	**22**	249,012
Intangible assets	**12**	13,194
Property, plant and equipment	**13**	6,346
Deferred tax asset	**10**	1,022
Trade and other receivables	**14**	16,755
Assets held for sale pre impairment on reclassification and cost to sell		286,329
Impairment on reclassification and costs to sell		(15,343)
Assets held for sale post impairment on reclassification and cost to sell		**270,986**
Trade and other payables	**15**	(32,199)
Deferred tax liability	**10**	(1,397)
Current tax liability		149
Liabilities held for sale pre impairment on reclassification and cost to sell		**(33,447)**
Impairment on reclassification and costs to sell		(3,480)
Liabilities held for sale post impairment on reclassification and cost to sell		**(36,927)**
Net assets		**234,059**

The disposal transaction consisted of multiple contingent agreements with Intrum UK and its associated vehicles.

The portfolios were subject to two Asset Purchase Agreements (APAs) with the acquiring 50:50 profit share vehicle. The acquiring vehicle was nominally split into two sub-vehicles, one which was notionally for the Group's ongoing interest and another which was notionally for Intrum's ongoing interest. Under the APAs each sub-vehicle agreed to purchase 50% of the portfolios for £121,250,000, adjusted for net collections since 1 April 2022, under a lock box mechanism.

Notes to the Financial Statements *(continued)*

30. Disposal group held for sale *(continued)*

The Group retained a 50% interest in the portfolios via profit participating notes (PPNs). The arrangement, including both the Arrow and Intrum sub-vehicles, was subject to a combined governance committee, separate from either investor. The Group had 50% representation on this committee, but it did not have unilateral control over its nominal share or the arrangement as a whole. Therefore, derecognition for 100% of the portfolios subject to sale was expected on completion and 100% of the portfolios were reclassified as held for sale. On completion, the Group recognised the PPNs as an investment in a joint venture on account of the joint governance.

The Capquest and Mars UK platforms were subject to a share purchase agreement with a purchase price of £36,500,000, adjusted for movements in the operational net assets from 1 April 2022, under a completion accounts mechanism.

Both the UK unsecured portfolios and the net assets of the Capquest and Mars UK platforms were considered one disposal group as the individual sale agreements were with the same ultimate counterparty and associates and were contingent on each other. The loss on reclassification was determined as follows across the constituent agreements, based on 100% of the portfolios being reclassified as held for sale. Management assessed the credentials of the transaction on the combined disposal group.

As at 31 December 2022	Book value	Purchase price	Gain/ (loss)
	£000	£000	£000
Portfolio asset purchase agreements	231,889	198,484	(33,405)
Capquest and Mars UK platform share purchase agreements	15,492	40,372	24,880
Selling costs	6,000	–	(6,000)
Arrow Global acquisition fair value adjustments	6,817	–	(6,817)
Total	**260,198**	**238,856**	**(21,342)**

Cumulative income or expenses included in OCI

There were no cumulative income or expenses included in the OCI relating to the disposal group.

Notes to the Financial Statements *(continued)*

31. Notes to the statement of cash flows

	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Loss after tax	(125,273)	(534)	(85,107)	(90)
Adjusted for:				
Proceeds from sale of UK non-core portfolios	183,023	–	–	–
Balance sheet cash collections in the period	283,863	–	380,123	–
Income from portfolio investments	(57,865)	–	(99,884)	–
Fair value gains on portfolios	(32,433)	–	(21,351)	–
Net impairment (gains)/losses	16,883	–	(9,130)	–
Depreciation and amortisation	25,082	–	23,130	–
Gain on sale of subsidiary	–	–	(2,121)	–
Gain on write-off and disposal of property, plant and equipment	–	–	(181)	–
(Gain)/loss on write-off and disposal of intangible assets	75	–	(50)	–
Write-down of investment in associate	36,457	–	–	–
Share of profit in associate	(3,089)	–	(1,684)	–
Share of profit in portfolio joint venture	(7,266)		–	–
Deferred remuneration unwind	10,424	–	–	–
Net interest payable excluding lease liability interest	101,131	–	82,027	–
Lease liability interest	1,805	–	1,122	–
Loss on reclassification to held for sale	(11,944)	–	21,342	–
Derivative fair value movements	(12,018)	–	4,834	–
Foreign exchange losses/(gains)	(4,016)	–	10,794	–
Tax (credit)/charge	(75)	–	1,417	–
Operating cash flows before movement in working capital	**404,764**	**(534)**	**305,281**	**(90)**
Increase in other receivables	(20,732)	(141)	(27,721)	–
Increase in amounts due to/from subsidiary undertakings	–	1,276	–	(511)
Increase in amounts due to parent companies	–	–	(1,254)	–
Decrease in trade and other payables	(11,705)	(601)	(34,314)	601
Cash generated by operations	**372,327**	**–**	**241,992**	**–**
Income taxes and overseas taxation received/(paid)	(11,306)	–	270	–
Net cash flow from operating activities before purchases of portfolio investments and investments awaiting deployment	**361,021**	**–**	**242,262**	**–**
Purchase of portfolio investments and investments awaiting deployment	(239,990)	–	(181,019)	–
Net cash generated by operating activities	**121,031**	**–**	**61,243**	**–**

Notes to the Financial Statements *(continued)*

32. Parent Undertaking

The immediate parent company is Sherwood Midco Limited. The ultimate controlling party is TDR Nominees Limited, which is incorporated in England and Wales. The smallest and largest group in which the results of the company are consolidated is that headed by Sherwood Topco Limited, incorporated in the UK, address 20 Bentinck Street, London, W1U 2EU.

Sherwood Parentco Limited

Consolidated financial statements for the year ended 31 December 2022

Independent auditor's report to the members of Sherwood Parentco Limited

Opinion

We have audited the financial statements of Sherwood Parentco Limited ("the Company") for the year ended 31 December 2022 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and Parent statement of financial position, the consolidated and Parent statement of changes in equity, the consolidated and Parent statement of cash flows and related notes, including the significant accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

Independent auditor's report to the members of Sherwood Parentco Limited *(continued)*

- Reading board minutes and attending audit committee meetings;
- Considering remuneration incentive schemes and performance targets for management; and.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates and judgements such as revenue from portfolio investments.

On this audit we do not believe there is a fraud risk related to non-portfolio investment revenue recognition because there are no estimates or judgements involved in the recognition and calculation of these revenue streams.

In addition to above, we identified a fraud risk in relation to valuation of estimated remaining cashflows and discount rates. We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all in scope components based on risk criteria and comparing the identified entries to supporting documentation. These included hose posted to unusual or seldom-used accounts having corresponding debit to portfolio assets, journal entries containing key words, journal entries just before year end with blank descriptions linked to portfolio assets, duplicate journals, unexpected account combinations linked to portfolio assets and journals linked to related parties;
- Evaluating the business purpose of significant unusual transactions; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the Group's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Independent auditor's report to the members of Sherwood Parentco Limited *(continued)*

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection laws, anti-bribery, anti-money laundering, consumer protection employment law, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report to the members of Sherwood Parentco Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 22, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Jatin Patel (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

23 March 2023

Consolidated statement of profit or loss and other comprehensive income for the year to 31 December 2022

		Year to 31 December 2022	As re-presented Incorporation to 31 December 2021
Continuing operations	**Note**	**£000**	**£000**
Income from portfolio investments at amortised cost	**22**	97,812	26,929
Fair value gains on portfolio investments at FVTPL	**22**	21,351	27,229
Impairment gains/(losses) on portfolio investments at amortised cost	**22**	9,130	(4,908)
Income from real estate inventories	**22**	2,072	379
Total income from portfolio investments		**130,365**	**49,629**
Integrated fund and asset management income	**5**	162,323	28,641
Gain on disposal of subsidiary	**29**	2,121	–
Other income		963	55
Total income		**295,772**	**78,325**
Operating expenses:			
Collection activity and fund management costs	**9**	(129,507)	(33,191)
Loss on reclassification to held for sale	**29**	(21,342)	–
Other operating expenses	**9**	(142,314)	(73,464)
Total operating expenses		**(293,163)**	**(106,655)**
Operating profit/(loss)		**2,609**	**(28,330)**
Derivative fair value movements	**21**	(4,834)	–
Finance income		537	9
Finance costs	**7**	(83,686)	(39,305)
Share of profit in associate		1,684	–
Loss before tax		**(83,690)**	**(67,626)**
Taxation charge on ordinary activities	**10**	(1,417)	(4,023)
Loss for the year/period from continuing operations[1]		**(85,107)**	**(71,649)**
Other comprehensive loss:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference arising on revaluation of foreign operations		1,877	952
Movement on the hedging reserve		556	–
Total comprehensive loss		**(82,674)**	**(70,697)**
(Loss)/profit after tax attributable to:			
Owners of the Company		(84,756)	(71,672)
Non-controlling interest		(351)	23
		(85,107)	**(71,649)**
Comprehensive (loss)/ income attributable to:			
Owners of the Company		(82,323)	(70,720)
Non-controlling interest		(351)	23
		(82,674)	**(70,697)**

[1] The loss before tax of £83,690,000 for the year to 31 December 2022 (Period from incorporation to 31 December 2021: £67,626,000) includes £50,280,000 of net adjusting costs (2021: £70,140,000), with an underlying loss before tax of £33,410,000 (2021: £2,514,000 profit). For the reconciliation between these results and the condensed consolidated profit and loss, please see the reconciliation on page 104.

Note –There has been a reclassification between the two operating expenses rows 'collection activity and fund management costs' and 'other operating expenses' in the prior year. This change was made to better reflect the evolved nature of the Group's business model and presenting direct costs of the Group's business lines is deemed to provide more relevant information. As such, we have reclassified £438,000 from 'other operating expenses' to 'collection activity and fund management costs' in the prior period. The total operating expenses impact is £nil. Further information can be found in note 5.

Consolidated and parent statement of financial position at 31 December 2022

Assets	Note	Group 2022 £000	Parent 2022 £000	Group 2021 £000	Parent 2021 £000
Cash and cash equivalents		143,603	–	198,911	–
Derivative asset	**24**	808	–	–	–
Trade and other receivables	**14**	65,041	506	52,360	–
Portfolio investments – amortised cost	**22**	392,182	–	704,944	–
Portfolio investments – FVTPL	**22**	331,199	–	302,808	–
Portfolio investments – real estate inventories	**22**	51,463	–	41,029	–
Property, plant and equipment	**13**	27,614	–	16,634	–
Intangible assets	**12**	104,890	–	128,429	–
Deferred tax asset	**10**	4,815	–	3,212	–
Investment in subsidiary undertakings	**21**	–	577,725	–	577,725
Investment in associates	**21**	64,150	–	62,184	–
Goodwill	**11**	698,879	–	688,063	–
Assets held for sale	**29**	270,986	–	5,655	–
Total assets		**2,155,630**	**578,231**	**2,204,229**	**577,725**
Liabilities					
Bank overdrafts	**27**	8,423	–	9,630	–
Revolving credit facility	**27**	169,104	–	167,373	–
Derivative liability	**24**	30,335	–	25,607	–
Trade and other payables	**15**	173,446	651	190,604	55
Current tax liability		1,902	–	1,837	–
Other borrowings	**27**	13,590	–	2,241	–
Asset-backed loans	**27**	8,246	–	55,158	–
Senior secured notes	**27**	1,258,358	–	1,211,416	–
Deferred tax liability	**10**	27,851	–	24,286	–
Liabilities held for sale	**29**	36,927	–	5,655	–
Total liabilities		**1,728,182**	**651**	**1,693,807**	**55**
Equity					
Share capital	**17**	166,813	166,813	166,813	166,813
Share premium	**17**	410,859	410,859	410,859	410,859
Retained deficit		(156,428)	(92)	(71,672)	(2)
Hedging reserve		556	–	–	–
Other reserves		2,829	–	952	–
Total equity attributable to shareholders		**424,629**	**577,580**	**506,952**	**577,670**
Non-controlling interest		2,819	–	3,470	–
Total equity		**427,448**	**577,580**	**510,422**	**577,670**
Total equity and liabilities		**2,155,630**	**578,231**	**2,204,229**	**577,725**

Approved by the board of directors on 23 March 2023, signed and authorised for issue on its behalf by:

....

Philip Shepherd
Director
Registered in England and Wales No: 13299333

Consolidated and parent statement of changes in equity for the year to 31 December 2022

Group	Ordinary shares	Share premium	Retained earnings	Translation reserve[1]	Hedging reserve[1]	Total	Non-controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 29 March 2021 (incorporation)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loss after tax	–	–	(71,672)	–	–	**(71,672)**	23	**(71,649)**
Exchange differences	–	–	–	952	–	**952**	–	**952**
Total comprehensive loss for the period	–	–	(71,672)	952	–	**(70,720)**	23	**(70,697)**
Shares issued	166,813	410,859	–	–	–	**577,672**	–	**577,672**
Minority interest on acquisition	–	–	–	–	–	**–**	3,447	**3,447**
Balance at 31 December 2021	**166,813**	**410,859**	**(71,672)**	**952**	**–**	**506,952**	**3,470**	**510,422**
Loss after tax	–	–	(84,756)	–	–	**(84,756)**	(351)	**(85,107)**
Exchange differences	–	–	–	1,877	–	**1,877**	–	**1,877**
Net fair value gains – cash flow hedges	–	–	–	–	741	**741**	–	**741**
Tax on hedged items	–	–	–	–	(185)	**(185)**	–	**(185)**
Total comprehensive loss for the year	–	–	(84,756)	1,877	556	**(82,323)**	(351)	**(82,674)**
Distributions to non-controlling interests	–	–	–	–	–	**–**	(1,818)	**(1,818)**
Minority interest on acquisition	–	–	–	–	–	**–**	1,518	**1,518**
Balance at 31 December 2022	**166,813**	**410,859**	**(156,428)**	**2,829**	**556**	**424,629**	**2,819**	**427,448**

[1] Other reserves total £3,385,000 (2021: £952,000).

Parent	Ordinary shares	Share premium	Retained earnings	Total
	£000	£000	£000	£000
Balance at 29 March 2021 (incorporation)	–	–	–	–
Loss after tax	–	–	(2)	**(2)**
Total comprehensive loss for the period	–	–	(2)	**(2)**
Shares issued	166,813	410,859	–	**577,672**
Balance at 31 December 2021	**166,813**	**410,859**	**(2)**	**577,670**
Loss after tax	–	–	(90)	**(90)**
Total comprehensive loss for the year	–	–	(90)	**(90)**
Balance at 31 December 2022	**166,813**	**410,859**	**(92)**	**577,580**

Consolidated and parent company statement of cash flow for the year to 31 December 2022

	Note	Group 2022 £000	Parent 2022 £000	Group 2021 £000	Parent 2021 £000
Net cash generated by/(used in) operations	**30**	**61,243**	**–**	**(56,796)**	**(2)**
Investing activities					
Purchases of property, plant and equipment	**13**	(14,642)	–	(669)	–
Purchases of intangible assets	**12**	(7,380)	–	(1,200)	–
Proceeds from disposal of intangible assets and property, plant and equipment		406	–	57	–
Acquisition of an associate		–	–	(24,500)	–
Acquisition of subsidiaries, net of cash acquired	**28**	2,475	–	(387,930)	(512,951)
Disposal of subsidiary, net of cash		(1,147)	–	–	–
Deferred consideration paid in connection with subsidiary acquisitions		(1,404)	–	(8,581)	–
Net cash used in investing activities		**(21,692)**	**–**	**(422,823)**	**(512,951)**
Financing activities					
Movements in other banking facilities		(5,442)	–	(319,705)	–
Proceeds from RCF and other borrowings		11,432	–	263,162	–
Proceeds from senior notes issuing		–	–	1,226,705	–
Redemption of senior notes		–	–	(959,084)	–
Early bond repayment costs		–	–	(17,035)	–
Repayment of asset backed loans		(47,156)	–	(19,408)	–
Payment of interest on senior notes		(63,669)	–	(4,750)	–
Payment of interest on revolving credit facility		(9,067)	–	–	–
Payment of interest on asset-backed loans		(1,189)	–	(658)	–
Issue of share capital		–	–	512,951	512,953
Bank interest received		537	–	9	–
Bank and other similar fees paid		(962)	–	(359)	–
Distributions to non-controlling interest		(1,818)	–	–	–
Lease payments	**19**	(5,449)	–	(1,191)	–
Payment of deferred interest		(140)	–	(1,419)	–
Parent company funding		16,796	–	–	–
Net cash flow (used in)/generated by financing activities		**(106,127)**	**–**	**679,218**	**512,953**
Net (decrease)/increase in cash and cash equivalents		**(66,576)**	–	**199,599**	–
Cash and cash equivalents at beginning of period[1]		202,263	–	–	–
Effect of exchange rates on cash and cash equivalents		7,916	–	2,664	–
Cash and cash equivalents at end of period including held for sale		**143,603**	**–**	**202,263**	**–**
Cash and cash equivalents held for sale[1]		–	–	(3,352)	–
Cash and cash equivalents at end of period excluding held for sale		**143,603**	**–**	**198,911**	**–**

[1] £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position and is included in the opening cash and cash equivalents position for the period ended 31 December 2022. See note 29 for more information.

Included within cash and cash equivalents is £8,021,000 (2021: £11,513,000) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated structure awaiting a payment date.

Notes to the Financial Statements

1.1 General information

Sherwood Parentco Limited ('the Company') is a private company limited by shares, incorporated in England and Wales. The address of the registered office is presented on page 1. The financial statements are presented in pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand except when otherwise indicated.

The Company's subsidiaries, both direct and indirect, at 31 December 2022 are listed in note 21.

The Group's principal activity is to identify, acquire, manage and service secured and unsecured loan, real estate and other non-core investment portfolios, through an integrated fund manager model.

1.2. Basis of preparation and going concern

The Group and Company's financial statements for the year to 31 December 2022 have been prepared in accordance with UK-adopted international accounting standards.

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes of the Company have not been presented in this annual report and accounts. A number of the Group's subsidiaries have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2022, with the parent Company providing a declaration of guarantee in accordance with section 479C of the Companies Act 2006 for the relevant subsidiaries as at 31 December 2022. A full listing of the subsidiaries availing of the guarantee and audit exemption is set out in note 21.

The financial statements of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and certain portfolio investments and the amortised cost accounting for other financial assets and liabilities.

Going concern statement

In assessing whether the going concern basis is appropriate to adopt for the Group as at 31 December 2022, the directors have undertaken thorough analysis of forecast cash flow models and scenarios for a period of at least 12 months from the date of approval of these accounts, with the primary focus of detailed forecasting running to the end of 2023.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. The severe downside case is based upon the Oxford Economics severe downside IFRS 9 macroeconomic scenario. This scenario is also used for the Group's IFRS 9 modelling, as well as for modelling potential investment outcomes for LPs. An in-house model is used to translate the OE macroeconomic forecasts into forecast outcomes for ERCs. The ERC impact of the severe downside macroeconomic scenario has been applied to all portfolio collections and income in the model, as well as an across the board decrease in servicing and fund management revenue of the same magnitude. This is then analysed against historical outcomes and associated levels of liquidity and leverage to assess plausibility. Key items considered within each forecast were the future outlook for HPI and default rates, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows. These cash flows were considered against the Group's future liquidity position, taking into account that there are no bond maturities until 2026. Adherence to the Group's leverage covenant was also considered in all scenarios.

The results of this scenario analysis show that in a severe but plausible downside scenario, before considering any management actions (such as cost reductions, slowing purchases and collection acceleration) as required, the Group is able to maintain sufficient liquidity, operate within banking covenants, and to continue as a going concern. This scenario was aligned to the severe downside forecasts outlined in note 22.

Finally, a reverse stress test has also been prepared to identify the magnitude of a downside stress that needs to occur to cause the group to breach its liquidity headroom and/or leverage covenant. It has been concluded that this represents an overly severe and implausible scenario. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes to the Financial Statements *(continued)*

2. Accounting Standards

New standards

The following new standards and interpretations are mandatory for the year beginning 1 January 2022:

- Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37);
- Annual improvements to IFRS standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3).

The above standards are not expected to have a significant impact on the Group's financial statements.

2.1 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Company's financial statements:

- Classification of liabilities as current or non-current (Amendments to IAS 1);
- IFRS 17 Insurance contracts;
- Accounting policies, changes in accounting estimates and errors: definition (Amendments to IAS 8); and
- Amendments to IAS 1 presentation of financial statements and IFRS practice statement 2 making material judgements;
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 Income Taxes.

3. Significant Accounting Policies

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Deferred and contingent consideration

During the normal course of business, the Group enters in agreements with third parties to purchase portfolios of financial assets, and the consideration paid may include an element of deferred consideration. Such consideration is discounted at the Group's weighted average cost of debt to its present value at the point of initial recognition of the acquired portfolio asset, and this discounted amount is included within the purchase price of the portfolio asset. A liability for the discounted amount of deferred consideration is also recognised at this time. Subsequent to this, the discount taken from the gross deferred consideration payable to the initial present value is recognised in the income statement as a finance cost over time.

Usually as part of business acquisitions, the Group also enters into arrangements with third parties to pay amounts in the future which are contingent on the outcome of a future event, such as the acquired business meeting certain operational or financial targets. Any contingent consideration is measured at fair value at the date of acquisition. In such instances, the Group forms an initial estimation of the fair value of such consideration by assessing the likelihood of paying out a range of amounts, and using this analysis to calculate the probability-weighted average expected pay-out. This amount is then discounted at the Group's cost of debt to bring it to its present value at the point of acquisition. An assessment is made at this point as to whether the payments constitute a post-employment benefit arrangement with former owners, or not. If this is not the case, the present value is included within the consideration paid to acquire the business and within goodwill, if relevant. Each period, the discount is unwound to the income statement as a finance cost, and the liability is remeasured to its current fair value at that point in time with the remeasurement to the income statement as an other operating expense.

If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2022 and the comparative period.

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

i. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

ii. Transactions eliminated upon consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity, or can demonstrate significant influence, or evidence through a number of aspects such as representation on the board of directors, participation in policy-making and decisions, material transactions between the entity and investee, interchange of managerial personnel or provision of essential technical information. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of the associate from the date that significant influence commences until the date that it ceases.

Securitisation vehicles

Securitisation vehicles in which the Group holds an economic interest are usually operated according to predetermined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of various securities in the vehicles.

Outside the day-to-day servicing of the receivables (which may be carried out by the Group under a servicing contract), key decisions are usually required only when the intent of the participants regarding the design of the economic structure or the strategy for the collection of the underlying assets changes.

In assessing whether it has control, the Group considers whether it manages the key decisions that most significantly affect these vehicles' returns, alongside its total variability related to its economic interests in the vehicles. As a result, the Group has concluded that it controls some of these vehicles, but not all (for more information on consolidated vehicles, see note 25).

Investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove fund manager.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

For all funds managed by the Group, the investors are able to vote by simple majority, less than ten investors, to remove the Group as fund manager without cause.

In summary, the number of investors who are required to act together to remove the Group as fund manager without cause is low. Although similar, the investment strategies of the Group and other investors in the fund are different, with the Group having the option to not invest in certain circumstances. Therefore, despite the Group's variability of its aggregate economic interest in some cases being above 30% (depending on which items are included/excluded), the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

For further disclosure in respect of unconsolidated securitisation vehicles and investment funds in which the Group has an interest or for which it is a sponsor, see note 25.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the spot exchange rates at the date of the transactions. The functional currency of the Group is pounds sterling, which is also the presentational currency of the Group.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the carrying amount in the foreign currency, translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

Interest

i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL).

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. This is the case for all the Group's portfolio investments held at amortised cost, recognised since the introduction of IFRS 9.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Additionally, for such assets, the future cash flows are forecast across the next 84 months following the balance sheet date. This is the point by which substantially all of the cash flows will have been received from a normal portfolio investment.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, such as legal and due diligence fees.

ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the expected cash flows and, for financial assets, adjusted for any ECL allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance. However, for amortised cost portfolio assets the concept of a separable ECL allowance is not applied, because due to the nature of the portfolio assets, expected cash flows are forecast including an estimate of ECLs, including multiple economic scenarios.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, which includes all of the Group's portfolio investments held at amortised cost, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. Subsequently, the carrying value of the portfolios is adjusted by updating future cash receipts and discounting them using the original credit adjusted effective interest rate with the subsequent remeasurement recognised as impairment through the statement of profit or loss. Updated future cash receipts are those expected in the normal course of maximising recoverability of credit-impaired assets.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in fair value gains on portfolio investments at FVTPL.

Fair value gains on portfolio investments at FVTPL

Fair value gains on portfolio investments at FVTPL represents all of the income and expenses relating to the Group's portfolio investments which are classified as FVTPL. The line item includes fair value changes, interest and dividends.

Leases

i. Group acting as a leasee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the shorter of its useful economic life and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The adjustment is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

ii. Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

iii. Group acting as a lessor

None of the arrangements that the Group has entered into have been determined to constitute the Group acting as a lessor under the definitions of IFRS 16.

Taxation

i. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

ii. Current tax

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

iii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

Deferred tax assets and liabilities are offset only if certain criteria are met.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Financial assets and financial liabilities

i. Recognition and initial measurement

The Group initially recognises portfolio investments, debt securities issued and other financial liabilities on the date on which they are acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. No such elections have been made by the Group.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. No such designations have been made by the Group.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's portfolio investments are comprised of various types of underlying credit positions. The majority of investments are held by the Group for the primary purpose of collecting the underlying cash flows to the fullest extent possible. Sales of such portfolio investments are not a common occurrence and are not part of management's strategy for such investments when they are purchased.

The Group's co-investment alongside its Fund and Investment Management business is deemed to be held in a different business model than 'hold to collect', as these portfolio investments are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the business model of these assets is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the Group's co-investment alongside its Fund and Investment Management business is classified as FVTPL.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events changing the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity and similar instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

Contractually linked instruments

The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

i. Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. The gain or loss is presented as interest income calculated using the effective interest rate method.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as a derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

ii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

iii. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

iv. Impairment

The Group recognises loss allowances for ECL on financial assets that are debt instruments, and that are not measured at FVTPL. No impairment loss is recognised on equity investments. The Group has not taken the low credit risk exemption for any of its financial assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (excluding credit-impaired assets), for which they are measured as 12-month ECL.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date, except POCI financial assets: as the difference between the gross carrying amount and the present value of estimated future cash flows; or
- POCI financial assets: the ECL is incorporated into the estimated future cash flows, therefore it is not possible to separate this from a 'gross carrying amount' of these assets. As such, although ECL is incorporated into the carrying amount, a separate loss allowance is not held for POCI financial assets. The only material assets in this category are the portfolio investments held at amortised cost.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate; or
- lease receivables: the discount rate used in measuring the lease receivable.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Restructured financial assets

If the terms of a financial asset are renegotiated or modified, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Designation at fair value through profit or loss

The Group has not designated any financial assets or liabilities as FVTPL in either the current or previous periods.

Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand and highly liquid financial assets with original maturities usually of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents also include cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated structure awaiting a payment date.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Derivatives

All derivatives are measured at fair value in the statement of financial position.

Other assets

No ECL has been recognised for intercompany loans, cash and cash equivalents or trade and other receivables, on the basis that the ECL on such items is deemed to be immaterial.

Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Furniture	five years
Computer equipment	three years
Leasehold improvements	five years
Vehicles	three years
Right-of-use assets	based on contractual terms

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets and goodwill

i. Software licenses and IT platforms

Expenditure on internally developed software, such as IT platforms, is recognised as an asset when the Group is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software plus capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Software, including IT platforms, is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to ten years. Amortisation is disclosed within other expenses within the statement of profit and loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

ii. Customer intangibles

When the Group acquires businesses which have material ongoing customer relationships, whether they are contractual or not, the principles of IFRS 3 dictate that the fair value of such customer relationships must be estimated and recognised on the balance sheet at the acquisition date. The impact of this is to effectively reduce the goodwill recognised on acquisition.

Subsequent to the initial recognition of such assets, they are amortised over the expected life of the customer relationships with the Group. This amortisation is recognised within operating expenses.

The useful lives and carrying values of customer intangibles are reviewed at each reporting date and adjusted if appropriate.

iii. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future post-tax cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation with an outflow of economic resources. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the consolidated statement of financial position and are discounted to present value.

Employee benefits

i. Share-based payment transactions

Share-based payment transactions in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payments.

The grant date fair value of the share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards.

The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

For share-based payments with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Where the Company grants rights to its equity instruments to employees of its subsidiaries, the costs are recharged to the subsidiary in line with the requirements of IFRS 2 'Share-based payments'.

ii. Shares held in an employee benefit trust (EBT)

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore, reflected in these financial statements.

iii. Retirement benefit costs

Payments to defined contribution retirement schemes are charged as the employees provide services to the Group.

The Group makes contributions to defined contribution plans to provide pension benefits for employees upon retirement, and otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

Inventories

As part of the Group's investment activities, it sometimes acquires real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow a period of time where capital expenditure is being applied to the asset, such investments fall under the scope of IAS 2 – Inventories.

In line with IAS 2, all assets classified as inventories are held at initial cost, plus any subsequent cost of capital expenditure. Such assets are held at the lower of cost and net realisable value, but apart from this, no gain or loss will be taken on the value of the assets until the point at which they are sold, or partially sold.

Share capital and reserves

i. Share capital

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii. Other reserves

Other reserves include the own share reserve, the translation reserve and the merger reserve. These reserves are further explained in note 17.

Intercompany receivables

The Company holds material intercompany receivables within its statement of financial position.

These have been assessed under the IFRS 9 ECL criteria, measuring expected losses over the longest contractual period the Company is exposed to credit risks. The Company has concluded that these assets have no material ECL.

Integrated fund and asset management income

i. Servicing fees

The Group undertakes various asset servicing and collection roles on behalf of its customers. The majority of this activity is performed at a point in time, and the service is deemed to have been provided to the customer either due to the passage of time, or upon the completion of an action such as making a collection or sending a notification to the customer. Therefore, in accordance with IFRS 15, the revenue from asset management and servicing activities is recognised either upon the completion of such actions. Where the Group is contracted to perform activities over time, such as master servicing arrangements, the fee is recognised as the services are performed, with time elapsed being the measure of progress.

ii. Asset management fees

The Group earns management fees from its performance of asset management services. Management fees are charged on third-party money managed by the Group and are based on an agreed percentage of either committed money, invested money or net asset value (NAV), dependent on the fund. Management fees are variable fee revenue streams, which relate to one performance obligation and contain a non-performance and performance-related fee element. The non-performance element of the fee is recognised as the services are performed, with time elapsed being the measure of progress. Performance related fees are discussed below.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

iii. Performance-related fees

Performance-related fees are recognised only where it is highly probable that the revenue will not be reversed in the future. This is generally near the end of the performance period or upon early liquidation of a fund. Performance-related fees will only be crystallised when a performance hurdle is met. The estimate of performance fees is made with reference to the liquidation profile for the fund, which factors in portfolio exits and timeframes. A constraint is applied to the estimate to reflect uncertainty of future fund performance.

iv. Contract balances

In some instances, fees may be paid to a third party which are directly linked to the acquisition of a long-term contract with a customer. In line with IFRS 15 requirements, such costs are taken to the balance sheet as a cost to acquire a customer contract, and are released to the comprehensive statement of profit or loss over time, on a profile corresponding with the period over which economic benefits will be derived from the contract. Further Information on the Group's contract balances can be found in note 6.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn income and incur expenses, including income and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's Exco members (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Critical accounting judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is set out below.

i. Classification of portfolio investment assets

The Group holds the majority of its portfolio investments at amortised cost, due to the fact that management have determined that these assets meet the SPPI criteria, and are held in a 'hold to collect' business model. The SPPI criteria for each portfolio are assessed at the point each portfolio is being approved for purchase, and are based on the nature of the underlying loans which are being purchased. This determination is made for each purchase individually, unless it is a follow-on purchase of the same or very similar assets, which have already been assessed.

Regarding the 'hold to collect' business model, the Group has determined that this is the most appropriate IFRS 9 business model classification for its general portfolio holding activities, as although in the past a small number of portfolios have been sold outright to a third party, such sales do not comprise a material component of the Group's ERC at any point in time. Therefore, such infrequent sales activity is not deemed to invalidate the 'hold to collect' business model which the Group employs for the majority of its portfolios.

Another judgement that has been made regarding the Group's amortised cost portfolio assets is that they all fall within the POCI classification for IFRS 9 impairment measurement purposes. This judgement has been made by the Group, based upon the fact that historic purchase history and the current composition of the amortised cost portfolio investments shows that such assets tend to be bought at a point in time where they are credit impaired in some manner. This is supported by not only the nature of the assets, but by the fact that they are usually purchased at a deep discount, which is reflective of their incurred credit losses to date.

Notes to the Financial Statements *(continued)*

4. Critical accounting judgements and estimates *(continued)*

For some portfolio investments, the SPPI criteria is not met, or there is an element of subordination within the holding structure. In such instances, these portfolio investments are held at FVTPL. Furthermore, some portfolio investments, such as those involving real estate, do not meet the definition of a financial instrument for accounting purposes. This leads to a portion of the Group's portfolio investments being classified as 'inventories', under the scope of IAS 2.

The Group's co-investment alongside its Fund and Investment Management business is deemed to be held in a different business model than 'hold to collect', as these portfolios are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the business model of these assets has been judged to be neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the Group's co-investment alongside its Fund and Investment Management business is classified as FVTPL.

ii. Determination of control over investees

Arrow holds an economic interest in a number of entities, which it determines under IFRS 10 that it does not control. As such, these entities are not consolidated into the Group's financial statements, but rather, the investment in such entities is recognised as a single asset within the appropriate balance sheet classification, usually portfolio investments, but also investment in associates.

Conversely, the Group also consolidates entities into its financial statements which it does not have majority ownership of, but the Group is judged to control regardless.

The judgement as to whether or not the Group has control over an entity is taken on a case-by-case basis by management, and is firstly based upon whether the Group can exercise any power over the relevant activities of the entity, and if this is the case, whether there is deemed to be a link between such power and the variability of the Group's returns which arise from the entity.

In many cases, the determination of control is clear. Cases where management must apply more judgement can occur where the Group holds a minority equity-level financial interest in a structured entity, as well as providing services to these entities in a typical supplier-customer relationship capacity. In these cases, the Group mainly assesses the relative share of marginal variable returns which flow to third parties versus the share which flows to the Group as a primary indicator of whether the Group is exercising any power it may have to influence the variable returns of the structured entity, either for its own benefit, or for the benefit of third parties in the structure. In the case of the former, the entity will usually be consolidated, whereas under the latter, the entity will usually not be consolidated.

The Group has judged that it does not control Maslow Global Limited and its subsidiaries. The Group's 49% stake in Maslow Global Limited and option to purchase the remaining 51%, does not provide substantive rights to the majority of the voting rights of Maslow and so it has not been consolidated. See page 73 for more detail.

Assumptions and estimation uncertainties

i. Carrying value of portfolio investments

The carrying value of portfolio investments is £1,023,856,000 at 31 December 2022 including held for sale portfolios (2021: £1,048,781,000). The majority of these portfolio investments are measured at amortised cost.

For 31 December 2022, the Group has generated cash flow forecasts (ERCs) using a bottom-up approach, whereby each individual portfolio's cash flow has been modelled using a number of portfolio specific factors, including balance sheet cash collections history and an array of data concerning the status of the individual loans within these portfolios, for example account-specific balance sheet cash collections history, account status, property status and valuation (for secured accounts), servicer history, and supporting data from third parties such as credit files or macroeconomic projections. This data has been used in conjunction with the predicted effectiveness of any additional collection initiatives to generate the eventual ERC for each portfolio.

The portfolio-level ERCs are then discounted at the appropriate rate (EIR for amortised cost portfolios, and a rate reflective of assumptions that market participants would use when pricing the asset for FVTPL portfolios), to obtain the revised NPV and hence carrying value of the amortised cost and FVTPL portfolio investments. For REO portfolio investments, the revised ERC curve is used to determine the net realisable value in assessing each portfolio for potential impairment. For FVTPL assets the discount rate has been updated by adjusting for movements in the risk free rate reflecting the change in discount rates due to the inflationary environment.

Notes to the Financial Statements *(continued)*

4. Critical accounting judgements and estimates *(continued)*

Following production of the portfolio-level ERCs, the Group utilises a range of third-party forward-looking economic scenario projections, to adjust the portfolio valuations for macro-economic risk not captured in the bottom-up portfolio-level modelling. As part of this exercise, we assume that the portfolio-level ERCs represent the 'Base Case' economic scenario projection, and the performance indicators that underpin these ERCs, including House Price Index (HPI) and Default Rates, are stressed according to the relative variance between a given economic scenario projection and the 'Base Case' economic scenario projection. Further inferences are made, for example with respect to how the Weighted Average Life (WAL) of the portfolio-level ERCs would vary across the given economic scenario projections, to yield a revised Group ERC under each scenario. A weighted probability is then assigned to each scenario to yield an adjusted ERC. Numerical disclosures and sensitivities have been set out in note 22, to assist the users of these statements in understanding the financial impact of the most recent reforecast and macro-economic adjustments

The estimated future cash flows generated by the above process are the key estimate/judgement in these financial statements. Flexing the expected future gross cash flows by +1/-1% would impact the closing carrying value of the amortised cost and FVTPL portfolio investments as at 31 December 2022 by +/- £9,724,000 (2021: £10,078,000). The forecasting period over which ERCs are calculated is also a key estimate/judgement in these financial statements. Adding or removing six months to the cash flow forecasting period would increase/(reduce) the closing carrying value of the portfolio investments as at 31 December 2022 by £7,235,000/(£10,234,000) (2021: £7,246,000/(£9,094,000)). Note that there are a large number of inputs that are used to derive the ERC and hence the carrying value of portfolios. However, many of these are factual historical data points which do not individually involve significant estimation uncertainty, and as such, an overall combined sensitivity has been provided.

ii. Fair value of net assets acquired as part of business combinations

The Group capitalises goodwill on the acquisition of entities as discussed in the significant accounting policies. Goodwill is the excess of the consideration paid over the fair value of net assets acquired. Therefore, the fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired portfolio investments and customer intangibles where valuations reflect estimates of amounts and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post-acquisition performance of the acquired entities. Further detail on the valuation of acquired loan portfolios is given in section i. above. Note 28 provides further detail on acquisitions and the net assets acquired on each.

iii. Impairment assessment of goodwill balances

The carrying amount of goodwill is £698,879,000 at 31 December 2022 (2021: £688,063,000). The Group's goodwill has primarily been recognised on the acquisition of Arrow on 11 October 2021 and has been fully allocated to the Integrated Fund Management CGU. An assessment for impairment has been undertaken as at 31 December 2022 with no impairment identified. Key estimates used in the assessment are the expected long-term cash flows the Integrated Fund Management CGU is expected to generate and the market discount rates applicable to such a CGU. Market discount rates have been derived using the Capital Asset Pricing Model, using observable market data on comparable listed entities. Judgement is applied in both selecting the comparable entities and the Group specific risk adjustments required for the CGUs. To corroborate such judgements movement in market multiples have been analysed, as well as referenced to other available indicators of valuation for the Group. Sensitivities for these key estimates are provided in note 11.

iv. Impairment assessment of Maslow investment in associate

The carrying amount of the Maslow investment is £63,868,000 at 31 December 2022 (2021: £62,184,000). The investment was recognised on the acquisition of 49% of Maslow on 31 December 2021. An assessment for impairment has been undertaken as at 31 December 2022 with no impairment identified. Key estimates used in the assessment are the expected long-term cash flows of Maslow combined with the Integrated Fund Management CGU. The market discount rate applied to these cash flows is derived using the Capital Asset Pricing Model and observable market data on comparable listed entities, with additional risk adjustments for Maslow's comparative size and risk. Judgement is applied in both selecting the comparable entities and Maslow specific risk adjustments.

Critical to the estimate of expected long-term cash flows are the assumption of significant revenue synergies and the expected level of carry interest the combined fund management operation will be able to generate. Additionally, the assessment is sensitive to the discount rate applied and therefore the Maslow specific risk adjustments to market discount rate form a critical estimate. Sensitivities are disclosed in note 21.

Notes to the Financial Statements *(continued)*

5. Segmental reporting

In October 2021, the Arrow Group was acquired by Sherwood Acquisitions Limited and the shares of Arrow Global Group plc were delisted from the London Stock Exchange. Sherwood Acquisitions Limited is wholly owned by Sherwood Parentco Limited, the acquisition vehicle of TDR. Post-acquisition, the Group strategically re-positioned itself as a platform led vertically aligned business, with our internal reporting and performance management aligned to this structure. This has resulted in a change to our reportable operating segments and the segmental information that is provided and reviewed on a regular basis by the chief operating decision maker (CODM), which is the Group's Exco members collectively, as defined in IFRS 8.

In the 2021 results, the Group reported under the separate reportable segments Asset Management and Servicing business, Fund and Investment Management business, Balance Sheet business and Group functions. Under the new segmental disclosure, the Group now reports under three separate reportable segments, being Integrated Fund Management, Balance Sheet Business and Group. Details of the new principal business categories are as follows:

Integrated Fund Management	Income and costs associated with managing debt portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing and collection activities to third parties and income and costs associated with investment and asset management. The combined income from this segment represents the capital-light income of the Group.
Balance Sheet Business	All portfolio investments that the Group owns, including investments held directly on our balance sheet together with our co-investment made through our discretionary funds, such as ACO 1 and ACO 2, and the associated income and direct costs of such investments.
Group	Costs not directly associated with the other two segments, but relevant to overall oversight and control of the Group's activities.

These segments represent how the Group manages the wider business, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the CODM.

There has been a reclassification between the two operating expenses rows 'collection activity and fund management costs' and 'other operating expenses' in the prior period. This change was made to better reflect the evolved nature of the Group's business model and presenting direct costs of the Group's business lines is deemed to provide more relevant information. As such, we have reclassified £438,000 from 'other operating expenses' to 'collection activity and fund management costs' in the prior period. The total operating expenses impact is £nil.

The Integrated Fund Management segment charges the Balance Sheet Business segment for servicing and collection of the Group portfolio investments and management and servicing fees in relation to fund management in respect to its investments. This intra-segment charge is calculated on equivalent commercial terms to charging third parties. The intra-segment elimination column below removes such charges.

Notes to the Financial Statements *(continued)*

5. Segmental reporting *(continued)*

Year to 31 December 2022	**Integrated Fund Management**	**Balance Sheet Business**	**Group**	**Intra-segment elimination**	**Adjusting items[1]**	**Total exc. adjusting items**	**Total inc. adjusting items**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	207,274	135,723	6	(50,831)	3,600	292,172	295,772
Collection activity and fund management costs	(89,806)	(81,726)	(283)	50,831	(8,523)	(120,984)	(129,507)
Gross margin	**117,468**	**53,997**	**(277)**	**–**	**(4,923)**	**171,188**	**166,265**
Gross margin %	*56.7%*	*39.8%*				*58.6%*	*56.2%*
Loss on reclassification to held for sale	–	–	–	–	(21,342)	–	(21,342)
Other operating expenses excluding depreciation, amortisation and forex	(77,763)	–	(24,366)	–	(6,261)	**(102,129)**	**(108,390)**
EBITDA	**39,705**	**53,997**	**(24,643)**	**–**	**(32,526)**	**69,059**	**36,533**
EBITDA margin %	*19.2%*	*39.8%*				*23.6%*	*12.4%*
Depreciation and amortisation	(8,814)	–	(2,113)	–	(12,203)	(10,927)	(23,130)
Foreign exchange translation loss	–	–	(10,794)	–	–	(10,794)	(10,794)
Operating profit/(loss)	**30,891**	**53,997**	**(37,550)**	**–**	**(44,729)**	**47,338**	**2,609**
Derivative fair value movements	–	–	–	–	(4,834)	–	(4,834)
Net finance costs	–	–	(82,432)	–	(717)	(82,432)	(83,149)
Share of profit in associate	1,684	–	–	–	–	1,684	1,684
Profit/(loss) before tax and adjusting items	**32,575**	**53,997**	**(119,982)**	**–**	**(50,280)**	**(33,410)**	**(83,690)**
					Adjusting items[1]	*(50,280)*	–
					Loss before tax	*(83,690)*	*(83,690)*

[1] Adjusting items are due to the divestment of the Capquest and Mars Ireland platforms to Intrum UK, ongoing non-cash acquisition intangible and fair value accounting unwinds associated with the Arrow acquisition by TDR in 2021. More information and a reconciliation between the statutory loss before tax and the underlying profit before tax can be seen on page 104.

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Notes to the Financial Statements *(continued)*

5. Segmental reporting *(continued)*

Incorporation to 31 December 2021	As re-presented Integrated Fund Management[2]	As re-presented Balance Sheet Business[2]	As re-presented Group[2]	As re-presented Intra-segment elimination[2]	As re-presented Adjusting items[1]	As re-presented Total exc. adjusting items	As re-presented Total inc. adjusting items
	£000	£000	£000	£000	£000	£000	£000
Total income	48,560	50,734	(318)	(19,308)	(1,343)	79,668	78,325
Collection activity and fund management costs	(26,009)	(26,818)	328	19,308	–	(33,191)[3]	(33,191)[3]
Gross margin	**22,551**	**23,916**	**10**	**–**	**(1,343)**	**46,477**	**45,134**
Gross margin %	*46.4%*	*47.1%*				*58.3%*	*57.6%*
Other operating expenses excluding depreciation, amortisation and forex	(19,252)	–	(7,799)	–	(41,724)	(27,051)[3]	(68,775)[3]
EBITDA	**3,299**	**23,916**	**(7,789)**	**–**	**(43,067)**	**19,426**	**(23,641)**
EBITDA margin %	*6.8%*	*47.1%*				*24.4%*	*(30.2)%*
Depreciation and amortisation	(2,201)	–	(466)		(4,188)	(2,667)	(6,855)
Foreign exchange translation gain	–	–	2,166	–	–	2,166	2,166
Operating profit/(loss)	**1,098**	**23,916**	**(6,089)**	**–**	**(47,255)**	**18,925**	**(28,330)**
Net finance costs	–	–	(16,411)	–	(22,885)	(16,411)	(39,296)
Profit/(loss) before tax and adjusting items	**1,098**	**23,916**	**(22,500)**	**–**	**(70,140)**	**2514**	**(67,626)**
					Adjusting items[1]	*(70,140)*	–
					Loss before tax	*(67,626)*	*(67,626)*

[1] Adjusting items are due to takeover costs incurred in respect of the TDR acquisition, organisational restructuring costs, associated non-cash write downs and other acquisition costs (including amortisation of acquisition intangible assets). More information and a reconciliation between the statutory loss before tax and the underlying profit before tax can be seen on page 104.

[2] In line with the requirements of IFRS 8:29, due to the change of the segmental reporting structure aligned to the Group now being platform led post the TDR acquisition, the corresponding information for 2021 has also been restated.

[3] There has been a reclassification between the two operating expenses rows 'collection activity and fund management costs' and 'other operating expenses' in the prior year. This change was made to better reflect the evolved nature of the Group's business model and presenting direct costs of the Group's business lines is deemed to provide more relevant information. As such, we have reclassified £438,000 from 'other operating expenses' to 'collection activity and fund management costs' in the prior year. The total operating expenses impact is £nil. The prior year has been re-presented accordingly on this basis.

Total income includes income from portfolio investments, fund and investment management and performance fees, asset management and servicing and other income.

The below and overleaf tables are produced on a statutory basis:

Year to 31 December 2022	UK, Ireland, Luxembourg and Jersey	Portugal	Italy	The Netherlands	Intra-Group trading	Total
	£000	£000	£000	£000	£000	£000
Total income	203,516	50,429	44,949	47,709	(50,831)	**295,772**
Third-party integrated fund and asset management income	66,928	32,058	34,076	29,261	–	**162,323**
Non-current assets	809,267	26,675	4,971	10,010	–	**850,923**

Notes to the Financial Statements *(continued)*

5. Segmental reporting *(continued)*

Incorporation to 31 December 2021	UK, Ireland and Jersey	Portugal	Italy	The Netherlands	Intra-Group trading	Total
	£000	£000	£000	£000	£000	£000
Total income	62,569	6,223	15,474	13,367	(19,308)	**78,325**
Third-party integrated fund and asset management income	9,974	4,069	8,117	6,481	–	**28,641**
Non-current assets	811,647	4,267	3,982	13,230	–	**833,126**

Income from contracts with customers has been disaggregated on a geographical basis, as a similar set of services are provided to customers across the geographies, and therefore this was deemed to be the most appropriate level of disaggregation for this disclosure.

Non-current assets are assets with a useful life of more than one year with the exception of deferred tax which has been excluded.

6. Integrated fund and asset management income

Integrated fund and asset management income is made up of asset management and servicing income and fund and investment management income, as described in the following paragraphs. Each income stream is dependent on each other.

Asset management and servicing income

Income from asset management and servicing contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies a performance obligation related to a service it has undertaken to provide to a customer.

Servicing income makes up the majority of asset management and servicing income, and in itself comprises a broad range of services, including secured and unsecured collection activity, real estate asset realisation, legal title holding, due diligence activities, initial platform migration and on-boarding activities, securitisation vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management.

In all material cases, the services are provided at a point in time that corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognised as the services are provided to the customer, with no deferral or acceleration of revenue across the life of the contract.

Fund and investment management income

Fund and investment management income encompasses services provided in relation to the discretionary and semi-discretionary allocation and management of third-party capital. Fees for fund and investment management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis. Income from fund and investment management services is recognised over time as the services are provided.

Contract balances

At 31 December 2022, the Group had assets relating to contracts with customers in the amount of £15,478,000. These assets fully relate to up-front costs which were incurred to acquire customers within the Group's fund and investment management business, and will be released to the comprehensive statement of profit and loss across the same period as the associated income will be recognised, which is the lifetime of the related fund or contract.

A key judgement made in recognising these costs which were incurred to acquire customers was whether or not the investors in the fund met the definition of a customer in accordance with IFRS 15. Given the small number of larger, institutional investors which were engaged with on an individual basis as part of the customer acquisition process, this was deemed to meet the definition of a customer under IFRS 15 guidance. The weighted average life remaining on these contract balances is 5 years and 1 months. The contract balances have amortised in the period, resulting in £2,164,000 of amortisation expensed to the comprehensive statement of profit and loss during the period.

Notes to the Financial Statements *(continued)*

7. Finance costs

	Year to 31 December 2022 £000	Incorporation to 31 December 2021 £000
Interest and similar charges on bank loans	9,831	1,768
Interest and similar charges on senior secured notes	68,511	12,532
Interest and similar charges on asset-backed securitisation	1,710	1,291
Lease liability interest	1,122	202
Other interest	1,190	627
Interest rate swap and forward exchange contract hedge costs	604	–
Underlying finance costs	**82,968**	**16,420**
Finance costs associated with refinancing	–	22,885
Acquisition related costs	718	–
	83,686	**39,305**

8. Auditor remuneration

The analysis of auditor remuneration is as follows:

	Year to 31 December 2022 £000	Incorporation to 31 December 2021 £000
Fees payable for audit services – Company	60	60
Fees payable for audit services – Group	2,760	865
Total fees payable for audit services	**2,820**	**925**
Fees payable for audit-related assurance services	–	6
Total fees payable for audit-related and regulatory assurance services	–	6
Fees payable for other assurance services	405	275
Total fees payable for non-audit services	**405**	**281**
Total fees payable	**3,225**	**1,206**

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Notes to the Financial Statements *(continued)*

9. Collection activity and fund management costs, other operating expenses and staff costs

9.a Total operating expenses

Total operating expenses are made up of direct and indirect costs, the detail of each is shown in the following tables:

Collection activity and fund management costs	**Year to 31 December 2022 £000**	**Incorporation to 31 December 2021 £000**
External collection costs	17,044	4,448
Staff costs (see note 9b)	69,812	17,635
Direct temp labour	4,335	642
Direct operating costs	13,365	7,302
Legal disbursements	11,608	2,257
Other collection activity costs	4,820	907
Underlying other operating expenses	**120,984**	**33,191**
Operations held for sale result	8,523	–
Total collection activity and fund management costs	**129,507**	**33,191**

Other operating expenses	**Year to 31 December 2022 £000**	**Incorporation to 31 December 2021 £000**
Staff costs (see note 9b)	57,290	13,668
Other related staff costs	8,275	2,938
Premises	1,503	737
IT	17,515	3,960
Depreciation and amortisation	10,927	2,667
Net foreign exchange gains	10,794	(2,166)
Other operating expenses	17,547	5,748
Underlying other operating expenses	**123,851**	**27,552**
Takeover costs	–	16,419
Organisational restructure costs	–	16,063
Non-cash write-down	–	8,014
Other acquisition costs – depreciation and amortisation	11,505	4,188
Other acquisition costs	321	1,228
Operations held for sale result	6,637	–
Total other operating expenses	**142,314**	**73,464**

The other staff-related costs caption largely relates to temporary labour, recruitment and training.

The average headcount for the Group for the year to 31 December 2022 was 2,288 (period from incorporation to 31 December 2021: 2,667).

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Notes to the Financial Statements *(continued)*

9. Collection activity and fund management costs, other operating expenses and staff costs *(continued)*

9b. Staff costs	Year to 31 December 2022 £000	Incorporation to 31 December 2021 £000
Wages and bonuses	112,381	28,094
Pension costs	6,148	893
Social security costs	15,320	2,316
Staff restructuring	49	–
Total staff costs including operating held for sale result	**133,898**	**31,303**
Operating held for sale result	(6,796)	–
Total staff costs excluding operating held for sale result	**127,102**	**31,303**

The total members of the executive committee, executive and non-executive directors' remuneration during the year was £6,719,000 (incorporation to 31 December 2021: £1,540,000), including £35,000 in relation to pension costs (incorporation to 31 December 2021: £5,000). In respect of the highest paid director (who was a director during the year), salary and performance related bonus was £556,000 (incorporation to 31 December 2021: £160,000), pension-related benefit was £nil (incorporation to 31 December 2021: £nil).

10. Tax

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax.

a. Amounts recognised in profit and loss	Year to 31 December 2022 £000	Incorporation to 31 December 2021 £000
Current tax charge:		
Tax charge at standard UK corporation tax rate	5,094	1,215
Total current tax charge	**5,094**	**1,215**
Deferred tax charge:		
Origination and reversal of temporary differences	(3,677)	2,808
Total deferred tax charge	**(3,677)**	**2,808**
Total income tax expense	**1,417**	**4,023**

The differences in the effective tax rate for the period and the standard rate of corporation tax in the UK at 19% (2021: 19%) are as follows:

b. Reconciliation of effective tax rate	Year to 31 December 2022 £000	Incorporation to 31 December 2021 £000
Loss before tax	(83,690)	(67,626)
Tax credit at standard UK corporation tax rate	(15,901)	(12,849)
Adjustment in respect of prior periods – current tax	(974)	–
Adjustment in respect of prior periods – deferred tax	(733)	–
Effect of tax rates in foreign jurisdictions	821	158
Expenses not deductible for tax purposes	3,957	8,608
Tax rate changes	306	–
Income not taxable	(2,792)	–
Overseas tax suffered	590	–
Movements in unrecognised deferred tax	16,143	8,106
Total income tax expense	**1,417**	**4,023**

Notes to the Financial Statements *(continued)*

10. Tax *(continued)*

c. Amounts recognised in OCI

There were amounts recognised in the OCI during the period of £186,000 in respect of tax (2021: £nil).

Deferred tax

The Group has not recognised a deferred tax asset in relation to tax losses carried forward of £62,853,000 (2021: £49,759,000), due to lack of certainty over future utilisation of the losses. These losses may be available for offset against future profits and have no expiry date. There are no unrecognised deferred tax liabilities.

The rate of UK corporation tax, as enacted under Finance Act 2021, is expected to increase to 25% from 1 April 2023. Deferred taxation is measured at the rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

In the Netherlands, the standard corporation income tax rate was increased to 25.8% from 1 January 2022. No further tax rate changes were enacted during the period in respect of overseas territories in which the group operates.

Movement in deferred tax balances

2022

	Net balance 1 January £000	On acquisition of subsidiary[1] £000	Recognised in profit or loss £000	Recognised in OCI £000	Reclassification £000	Foreign exchange £000	Net balance 31 December £000	Deferred tax asset[2] £000	Deferred tax liability £000
IFRS and fair value transitional adjustments	(21,826)	–	2,483	–	(6,305)	(336)	**(25,984)**	**1,917**	**(27,901)**
Hedging reserve	–	–	–	(185)	–	–	**(185)**	–	**(185)**
Other temporary differences	(338)	(1,102)	645	–	583	4	**(208)**	**954**	**(1,162)**
Losses	1,847	444	549	–	35	91	**2,966**	**2,966**	**0**
	(20,317)	**(658)**	**3,677**	**(185)**	**(5,687)**	**(241)**	**(23,411)**	**5,837**	**(29,248)**
Total moved to assets held for sale	(757)							(1,022)	1,397
Total excluding held for sale	**(21,074)**							**4,815**	**(27,851)**

[1] *See note 28 for further information on the acquisition of subsidiary.*

[2] *Deferred tax assets include £1,022,000 and deferred tax liabilities include £1,397,000 in respect of the Capquest and Mars Ireland divestment, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.*

2021

	Net balance 29 March £000	On acquisition of subsidiary[1] £000	Recognised in profit or loss £000	Reclassification £000	Foreign exchange £000	Net balance 31 December £000	Deferred tax asset[2] £000	Deferred tax liability £000
IFRS and fair value transitional adjustments	–	(34,348)	836	11,454	232	**(21,826)**	**2,122**	**(23,948)**
Other temporary differences	–	148	(506)	11	9	**(338)**	**–**	**(338)**
Losses	–	11,939	(3,138)	(6,815)	(139)	**1,847**	**1,847**	**–**
	–	**(22,261)**	**(2,808)**	**4,650**	**102**	**(20,317)**	**3,969**	**(24,286)**
						Total moved to assets held for sale	(757)	–
						Total excluding held for sale	**3,212**	**(24,286)**

[1] *See note 28 for further information on the acquisition of subsidiary.*

[2] *Deferred tax asset includes £757,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.*

Uncertainty over income tax treatments

The current tax liability of £1,902,000 (2021: £1,837,000) represents the amount of income taxes payable in respect of current and prior periods, including a provision in relation to uncertain tax positions.

Notes to the Financial Statements *(continued)*

10. Tax *(continued)*

As for most multi-nationals, the current tax environment is creating increasing levels of uncertainty and the Group is potentially subject to tax audits in many jurisdictions. By their nature, these are often complex and could take a significant period of time to be agreed with the tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. The levels of risk arising from tax audits may change as a result of legislative change, tax authority guidance or practice and correspondence with the tax authorities during a specific audit. It is not possible to quantify the impact that such future developments may have on the tax positions taken in the financial statements.

11. Goodwill

	Total
	£000
Cost	
At 29 March 2021 (incorporation)	–
Additions	688,063
At 31 December 2021	**688,063**
Remeasurement[1]	5,080
Additions[2]	5,467
Exchange rate differences	269
At 31 December 2022	**698,879**
Impairment	
At 31 December 2022 and 31 December 2021	**–**
Carrying amount	
At 31 December 2022	**698,879**
At 31 December 2021	**688,063**

[1] Remeasurement of fair values of acquired assets and liabilities at acquisition.

[2] See note 28 for a detailed analysis of additions to goodwill during 2022.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The two CGUs considered for goodwill allocation were at the lowest level at which goodwill is monitored for internal management purposes and are not larger than the single operating segment defined under IFRS 8 (Operating Segments).

Goodwill CGU allocation

In relation to goodwill, the two CGUs identified are Integrated Fund Management, comprising all of the Group's debt management operations on behalf of the Group, discretionary funds and other third parties and the Balance Sheet Business, comprising the Group's owned portfolio investment business. The Group has changed its assessment of CGUs in the year reflecting how the Group utilisation of its assets and operations to generate revenues has changed over time. In October 2021, the Group was acquired by TDR. Post-acquisition, the Group strategically re-positioned itself as a platform led vertically aligned business. Alignment of the Group's platforms and its investment business on a geography basis no longer adequately represents how the Group makes returns. The vertically integrated model means that the platforms work collectively to derive returns across geographies and individual platform cash in-flows are not substantially derived separately from other platforms. With the strategic repositioning and the move towards a capital-light model, the BSB is no longer the primary focus of the platforms. Following the change in CGUs, goodwill has been reallocated on a relative value basis using value in use calculations for each of the revised CGUs. This has resulted in all of the goodwill being allocated to the Integrated Fund Management CGU.

The discount rate was a post-tax rate based on the yield of average European 10-year government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities generally, the systemic risk of the specific CGU, and the non-systematic risk imputed from the reconciliation to the expected return on the purchase of the Group by TDR.

Notes to the Financial Statements *(continued)*

11. Goodwill *(continued)*

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal gross domestic product rates for the countries in which the CGU operates and the long-term compound annual profit before taxes, depreciation and amortisation growth rate estimated by management.

Budgeted profit before taxes, depreciation and amortisation were based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated growth for the next five years.

The key assumptions described above may change as economic and market conditions change. The Group estimates that likely possible changes in these assumptions would not cause the recoverable amount of the relevant CGU to decline below the carrying amount.

The Group's goodwill balance has been assessed and no part of the overall balance is deemed to be deductible for tax purposes.

For the purposes of impairment testing, goodwill is allocated to the Group's CGUs as follows:

	2022
	£000
Integrated Fund Management	698,879
Balance Sheet Business	-
	698,879

	2021
	£000
UK, Ireland and Jersey	426,047
Portugal	158,906
Italy	62,962
The Netherlands	40,148
	688,063

An impairment review was carried out at 31 December 2022, that resulted in no impairment to goodwill. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGUs is determined as the higher of fair value, less cost to sell and value in use. Discount rate and forward-looking growth assumptions applied in the value in use calculations were as follows:

	2022
	Integrated Fund Management
Discount rate %	11%
Growth rate used to extrapolate forecasts	2%

No impairment test was required in 2021, due to the proximity to the acquisition date of the business by TDR and no indicators of impairment.

Discount rates

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Post-tax rates are used alongside post-tax cash flows, as the post-tax discount rate is more readily derived from observable market information. Any potential differences between post-tax discount rates and cash flows and the pre-tax method under IAS 36 – Impairment of assets have been considered, and no material differences between approaches have been identified.

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Notes to the Financial Statements *(continued)*

11. Goodwill *(continued)*

The starting point for determining the discount rates for each CGU was to use the Group's weighted average cost of capital (WACC) and adjust this for specific factors for each of the CGUs to derive a market participant's rate. The factors took into account the risks inherent in each of the CGUs; such as currency, regulatory, and economic risks and the different operations in the CGUs were also considered.

In determining the appropriate WACC to use in the current impairment test, in line with advice from experts, management took into account both the current and target leverage structure of the Group. An average of these approaches provided a balanced view of the appropriate discount rate to use for the value in use calculation.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity. The forecasts assume growth rates in collection activity which in turn drive forecast collections and cost figures. These assumptions are in keeping with the directors' expectations of future growth. Appropriate tax rates are applied to the cash flow forecasts for each CGU. The analysis has been prepared using post-tax cash flows and discount rates, as post-tax discount rates can be more readily derived from observable market data. The Group is satisfied that this is materially equal to performing the analysis on pre-tax cash flows and discount rates.

In addition, a market approach, using observed movements in earnings multiples for a peer set of comparable to the CGUs, is used to provide another reference for each CGUs valuation. This is used to further support the conclusion of the value in use assessment, corroborate risk adjustments in the value in use assessment and to determine a reasonable range of valuation. This reasonable range of fair value translates to a range for expected cash flows or discount rates as follows:

Integrated Fund Management	**Lower range of valuation**	**Higher range of valuation**
Cash flow (decrease)/increase	(10%)	24%
Discount rate increase/(decrease)	1%	(2%)

The result of the goodwill impairment review was that no impairment was deemed to exist as at 31 December 2022. For 31 December 2022, the Group has conducted a sensitivity analysis over the key inputs used in the impairment test of the CGU's carrying value. The CGUs would become impaired based on a net post-tax cash flow reduction set out below, or based on an increase in the discount rate noted below:

	A cash flow reduction of	**A discount rate increase of**
Integrated Fund Management	17%	2%

Notes to the Financial Statements *(continued)*

12. Intangible assets

	Customer intangibles £000	Contractual rights £000	IT platform £000	Software licences £000	Total £000
Cost					
At 29 March 2021 (incorporation)	**–**	**–**	**–**	**–**	**–**
Assets acquired on acquisition of a subsidiary	104,099	259	23,210	12,755	140,323
Exchange rate differences	117	(8)	(353)	(59)	(303)
Additions	–	–	316	884	1,200
Write-off	–	–	(583)	(6,077)	(6,660)
Disposals	–	–	(222)	(23)	(245)
At 31 December 2021	**104,216**	**251**	**22,368**	**7,480**	**134,315**
Exchange rate differences	–	14	694	29	737
Additions	–	–	2,118	5,262	7,380
Reclassifications	–	23	(437)	(23)	(437)
Write-off	–	–	–	6	6
Disposals	–	–	(139)	(83)	(222)
At 31 December 2022	**104,216**	**288**	**24,604**	**12,671**	**141,779**
Accumulated amortisation					
At 29 March 2021 (incorporation)	**–**	**–**	**–**	**–**	**–**
Exchange rate differences	–	(2)	(47)	(19)	(68)
Amortisation for the period[1]	3,950	18	1,149	837	5,954
At 31 December 2021	**3,950**	**16**	**1,102**	**818**	**5,886**
Exchange rate differences	–	7	129	32	168
Amortisation for the year[1]	10,508	222	3,835	3,162	17,727
Reclassifications	–	–	–	(73)	(73)
Write-offs	–	–	–	(13)	(13)
At 31 December 2022	**14,458**	**245**	**5,066**	**3,926**	**23,695**
Carrying amount					
At 31 December 2022 (including held for sale)	**89,758**	**43**	**19,538**	**8,745**	**118,084**
Intangible assets held for sale					(13,194)
At 31 December 2022 (excluding held for sale)					**104,890**
At 31 December 2021	**100,266**	**235**	**21,266**	**6,662**	**128,429**

[1] Amortisation and depreciation are shown within the other operating costs line of the consolidated statement of profit or loss. Some of the amortisation has been including in adjusting items in the year.

Notes to the Financial Statements *(continued)*

13. Property, plant and equipment

	Leasehold improvements £000	Computer equipment £000	Furniture £000	Vehicles £000	Right-of-use asset[1] £000	Total £000
Cost						
At 29 March 2021 (incorporation)	–	–	–	–	–	–
Assets acquired on acquisition of a subsidiary	2,130	823	243	232	14,786	18,214
Exchange differences	(24)	(22)	(7)	3	(169)	(219)
Additions	7	40	61	164	397	669
Reclassifications	(11)	–	69	–	3	61
Write-offs	(6)	(61)	(90)	(132)	(635)	(924)
Disposals	–	(4)	–	–	(271)	(275)
At 31 December 2021	**2,096**	**776**	**276**	**267**	**14,111**	**17,526**
Acquired on acquisition of subsidiary	524	92	391	19	6,286	7,312
Exchange differences	78	35	37	1	640	791
Additions	534	605	147	39	13,317	14,642
Reclassifications	394	(431)	1,449	(8)	874	2,278
Write-offs	–	–	–	(1)	(2)	(3)
Disposals	–	(51)	(9)	–	(409)	(469)
At 31 December 2022	**3,626**	**1,026**	**2,291**	**317**	**34,817**	**42,077**
Accumulated depreciation						
At 29 March 2021 (incorporation)	–	–	–	–	–	–
Exchange differences	(6)	(9)	(3)	(1)	(59)	(78)
Charge for the period	103	35	(28)	18	773	901
Reclassifications	8	1	69	217	(226)	69
At 31 December 2021	**105**	**27**	**38**	**234**	**488**	**892**
Exchange differences	27	(1)	12	–	(75)	(37)
Charge for the year	673	624	291	45	3,770	5,403
Reclassifications	744	(283)	848	–	654	1,963
Write-offs	(1)	(6)	(8)	(12)	(59)	(86)
Disposals	–	(18)	–	–	–	(18)
At 31 December 2022	**1,548**	**343**	**1,181**	**267**	**4,778**	**8,117**
Carrying amount						
At 31 December 2022 (including held for sale)	**2,078**	**683**	**1,110**	**50**	**30,039**	**33,960**
Property, plant and equipment held for sale						(6,346)
At 31 December 2022 (excluding held for sale)						**27,614**
At 31 December 2021	**1,991**	**749**	**238**	**33**	**13,623**	**16,634**

[1] *See note 19 for a detailed analysis of right-of-use assets.*

Notes to the Financial Statements *(continued)*

14. Trade and other receivables

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Trade receivables	48,508	–	30,758	–
Contract balances	15,478	–	9,860	–
Other receivables	11,642	–	6,840	–
Prepayments	8,389	–	6,448	–
Due from other Group undertakings	–	506	–	–
Due from parent companies	298	–	–	–
Total including assets held for sale	**84,315**	**506**	**53,906**	**–**
Trade and other receivables moved to assets held for sale[1]	(19,274)[1]	–	(1,546)[2]	–
Total excluding assets held for sale	**65,041**	**506**	**52,360**	**–**

[1] Trade and other receivables include £19,274,000 in respect of the Capquest and Mars UK platforms as at 31 December 2022, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

[2] Trade and other receivables include £1,546,000 in respect of the Whitestar Italy platform as at 31 December 2021, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

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Notes to the Financial Statements *(continued)*

15. Trade and other payables

Current	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Trade payables	16,425	601	6,179	–
Deferred consideration on acquisition of subsidiaries	–	–	313	–
Deferred consideration on portfolio investments	23,433	–	27,854	–
Taxation and social security	3,873	–	4,013	–
Due to other Group undertakings	–	50	–	55
Due to parent companies	15,840	–	–	–
Accruals	43,930	–	46,337	–
Provisions	–	–	12,825	–
Other liabilities	24,970	–	23,004	–
Lease liability	11,903	–	3,082	–
	140,374	**651**	**123,607**	**55**
Non-current				
Trade payables	5,821	–	11,562	–
Deferred and contingent consideration on acquisition of subsidiaries	3,197	–	1,190	–
Taxation and social security	–	–	189	–
Accruals	204	–	3,830	–
Liabilities arising on acquisition of bankruptcy portfolios	28,458	–	29,409	–
Other liabilities	8,454	–	12,257	–
Lease liability	19,137	–	15,212	–
	65,271	**–**	**73,649**	**–**
Total including held for sale	**205,645**	**651**	**197,256**	**55**
Trade and other payables moved to liabilities held for sale	(32,199)[1]	–	(6,652)[2]	–
Total excluding held for sale	**173,446**	**651**	**190,604**	**55**

[1] Trade and other payables include £32,199,000 in respect of the Capquest and Mars UK platforms as at 31 December 2022, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

[2] Trade and other payables include £6,652,000 in respect of the Whitestar Italy platform as at 31 December 2021, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

Included within other liabilities is €3,474,000 (£3,076,000) (2021: €941,000 (£790,000)) relating to deferred pay for the Italian employees. The employees are part of statutory indemnity schemes, compulsory by law, that entitles them to deferred pay, typically at the end of their employment, the 'Trattamento di fine rapport' (TFR). A liability is recognised to reflect that the indemnity will be paid at a future date, when the employees leave employment. The liability is included within trade and other payables on the statement of financial position and is calculated by an independent expert through an actuarial valuation, the key assumptions used are detailed below:

	2022	2021
Discount rate	0%-4%	0%-1%
Annual inflation rate	2%-6%	1%-2%
Wage inflation	2%-8%	2%-3%
Probability of leaving employment for reasons other than retirement (employees aged 18-60)	3%-10% per annum	2%-15% per annum

Notes to the Financial Statements *(continued)*

16. Contingent liabilities

Through the ordinary course of business, the Group exposes itself to potential liabilities which at present it is not aware of, and may or may not arise in the future. As such, it would not be practical to try and quantify their future financial impact. However, there are no material open items that the Group is aware of. Set out below are broad areas of the Group's ordinary business activities which may in the future lead to potential claims or liabilities being incurred by the Group.

Conduct and regulatory compliance

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a possibility that certain aspects of the current or historic business, including, amongst other things, collections practices and general treatment of customers, may be determined by the FCA and other regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment.

Contractual disputes

In carrying out its ongoing business, the Group enters into numerous contracts in any given period with a various third-party entities. There is always a risk that a contractual dispute may arise in the future, which may lead to a claim against the Group in respect of any damages or losses incurred by the third party.

17. Share capital and reserves

Share capital and share premium

	2022	2021
Issued, fully paid and authorised:	**£000**	**£000**
166,813,369 ordinary shares of £1 each	166,813	166,813
	166,813	**166,813**

Total consideration for the shares was £577,672,000, giving rise to a share premium of £410,859,000. There are no restrictions on the repayment of capital.

The shareholders have the right to receive notice of, and to attend and vote at all general meetings of the Company.

Nature and purpose of reserves

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

18. Dividends

No dividends were paid or declared during 2022 and no final dividend are proposed (2021: nil).

Notes to the Financial Statements *(continued)*

19. Leases

The Group has leases for offices premises, hospitality accommodation, vehicles and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 13).

Leases of vehicles are usually limited to a lease term of two to four years. Leases of property generally have a lease term ranging from five years to ten years. Lease payments are generally fixed, however there are a limited number of property leases where rentals are linked to annual changes in an index (either the retail price index or consumer price index).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Right-of-use assets

Right-of-use assets relate to leased office premises and vehicles that are presented within property, plant and equipment (see note 13).

	Office premises	Vehicles £000	Computer equipment £000
Balance at 31 December 2021	**11,738**	**1,224**	**661**
Assets acquired on acquisition of a subsidiary	5,730	–	556
Depreciation charge for the period	(3,272)	(283)	(215)
Additions	12,821	307	189
Disposals	(283)	(126)	–
Reclassifications	202	18	–
Exchange differences	1,037	(248)	(74)
Write-offs	57	–	–
Balance at 31 December 2022	**28,030**	**892**	**1,117**

Maturity analysis – contractual undiscounted cash flows

See note 23 for maturity analysis of lease liabilities as at 31 December 2022 and 31 December 2021.

Amounts recognised in profit or loss

The following leases-related expenses were recognised under IFRS 16 in the profit or loss:

	Year to 31 December 2022 £000	Incorporation to 31 December 2021 £000
Interest on lease liabilities	1,122	202
Depreciation charge for the period on right of use assets	3,770	773
Expenses relating to short-term leases	61	21

Amounts recognised in statement of cash flows

The following lease payments were recognised in the statement of cash flows:

	Year to 31 December 2022 £000	Incorporation to 31 December 2021 £000
Total cash outflow for leases	5,449	1,191

Notes to the Financial Statements *(continued)*

20. Related party transactions

Related party balances

Related party balances as at the period end were as follows:

Group	Amounts due to group undertakings 2022 £000	Amounts due to group undertakings 2021 £000
Directors' loans	451	–
Total	**451**	**–**

Directors' loans were made in connection with the management incentive plan introduced during the year.

Company	Amounts due to group undertakings 2022 £000	Amounts due to group undertakings 2021 £000
Arrow Global Limited	–	(5)
Sherwood Financing plc	(50)	(50)
Total	**(50)**	**(55)**

Balances relate to intercompany loans that are repayable on demand, with this being the longest contractual period and are, therefore, held as current liabilities.

Summary of transactions

The Group had the following reportable transactions with related parties:

	Other expenses year to 31 December 2022 £000	Other expenses incorporation to 31 December 2021 £000
Directors' loans	451	–
Total	**451**	**–**

The Company had the following reportable transactions with related parties:

	Other expenses year to 31 December 2022 £000	Other expenses incorporation to 31 December 2021 £000
Arrow Global Limited	–	5
Total	**–**	**5**

The Company incorporated Sherwood Financing plc, Sherwood Financing 2 Limited and Sherwood Acquisitions Limited in the prior period. The amount due to Sherwood Financing plc is in relation to its incorporation.

Notes to the Financial Statements *(continued)*

20. Related party transactions *(continued)*

Key management

Key management personnel, defined as permanent members of the board plus the executive committee, were awarded the following compensation for the financial period since being key management:

	Year to 31 December 2022	Incorporation to 31 December 2021
Remuneration	**£000**	**£000**
Salaries and performance related bonus	6,684	1,535
Pension-related benefits	35	5
	6,719	**1,540**

The number of key management during the year was 12 (2021: 12).

During the current period there were no other related party transactions other than discussed above.

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associate

Details of the Company's subsidiaries at 31 December 2022 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Agenda Management Services Limited* *Company no. 04637581*	UK (England & Wales)	Note 1	100	Trading	DFS
AGG Booth Title Limited *Company no. 12533342*	UK (England & Wales)	Note 2	100	Trading	ACM(H)L
AGG Capital Management (Holdco) Limited (ACM(H)L)* *Company no. 12272877*	UK (England & Wales)	Note 3	100	Trading	AGGL
AGL Fleetwood Limited* *Company no. 11889566*	UK (England & Wales)	Note 3	100	Trading	AFTL
AGL Fleetwood 2 Limited* *Company no. 12660006*	UK (England & Wales)	Note 3	100	Trading	AF2TL
AGL Fleetwood 2 Topco Limited (AF2TL)* *Company no. 12655329*	UK (England & Wales)	Note 3	100	Trading	AGIHL
AGL Fleetwood 3 Limited (AF3L) * *Company no. 12660015*	UK (England & Wales)	Note 3	100	Trading	AF2TL
AGL Fleetwood Topco Limited (AFTL)* *Company no. 11886176*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global (Holdings) Limited (AG(H)L)* *Company no. 05606576*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Accounts Management Limited* *Company no. 05478076*	UK (England & Wales)	Note 3	100	Trading	AGL
Arrow Global Adviser Limited (AGAL)	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Birch Holdings Limited	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Europe Limited* *Company no. 09296946*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global European Service Company Limited *Company no. 14409681*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Finance Plc* *Company no. 08361735*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Group Limited (AGGL)* *Company no. 08649661*	UK (England & Wales)	Note 3	100	Trading	SAL
Arrow Global Guernsey Limited *Company no. 08768171*	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Arrow Global Investments Holdings Limited (AGIHL)* *Company no. 06568603*	UK (England & Wales)	Note 3	100	Trading	AGGHL
Arrow Global Legh Limited	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Arrow Global Limited (AGL)* *Company no. 05606545*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Luna Limited* *Company no. 08898157*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Management Limited	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Arrow Global Massey Limited	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Arrow Global One Limited (AGOL)* *Company no. 08649653*	UK (England & Wales)	Note 3	100	Trading	AGGL
Arrow Global Portugal Investments Limited* *Company no. 09312429*	UK (England & Wales)	Note 3	100	Trading	AF3L
Arrow Global Portugal Limited* *Company no. 07243769*	UK (England & Wales)	Note 3	100	Trading	AF3L
Arrow Global Receivables Management Limited* *Company no. 05875306*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow SMA LP Limited (ASLL)* *Company no. 12272894*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Bergen Capital Management Limited* *Company no. 07553297*	UK (England & Wales)	Note 3	100	Trading	MAL
Capquest Debt Recovery Limited (CDRL)* *Company no. 03772278*	UK (England & Wales)	Note 3	100	Trading	CGL
Capquest Group Limited (CGL)* *Company no. 04936030*	UK (England & Wales)	Note 3	100	Trading	QNL
Capquest Investments Limited* *Company no. 05245825*	UK (England & Wales)	Note 3	100	Trading	CGL

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associate *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Capquest Mortgage Servicing Limited* *Company no. 05821008*	UK (England & Wales)	Note 3	100	Trading	AGOL
Drydens Limited (DFS)* *Company no. 06765260*	UK (England & Wales)	Note 1	100	Trading	AGL
Erudio Customer Management Limited	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Mars Acquisition Limited (MAL)* *Company no. 08522909*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Mars Capital Finance Limited* *Company no. 05859881*	UK (England & Wales)	Note 3	100	Trading	MAL
Mars Capital Management Limited* *Company no. 06483032*	UK (England & Wales)	Note 3	100	Trading	MAL
Quest Bidco Limited (QBL)* *Company no. 07653281*	UK (England & Wales)	Note 3	100	Trading	QTL
Quest Newco Limited (QNL)* *Company no. 07715012*	UK (England & Wales)	Note 3	100	Trading	QBL
Quest Topco Limited (QTL)* *Company no. 07653295*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Sherwood Acquisitions Limited (SAL)* *Company no. 13299321*	UK (England & Wales)	Note 3	100	Trading	SPL
Sherwood Financing plc* *Company no. 13497082*	UK (England & Wales)	Note 3	100	Trading	SPL
Sherwood Financing 2 Limited* *Company no. 13538711*	UK (England & Wales)	Note 3	100	Trading	SPL
Western Acquisition Holdings Limited	UK (England & Wales)	Note 3	50	Dormant	AGL
Mars Capital Finance Ireland DAC	Republic of Ireland	Note 4	100	Trading	MAL
Mars Capital Management Ireland DAC	Republic of Ireland	Note 4	100	Trading	MAL
Arrow Global Guernsey Holdings Limited (AGGHL)	Guernsey	Note 5	100	Trading	AGOL
Arrow Global Guernsey Limited	Guernsey	Note 5	100	Dormant	AGIHL
AGG Capital Management Limited (AGGCML)	Jersey	Note 6	100	Trading	ACM(H)L
Arrow Credit Opportunities II Feeder A GP Limited	Jersey	Note 6	100	Trading	AGGCML
Arrow SMA GP Limited (ASGL)	Jersey	Note 6	100	Trading	ASLL
Arrow Global SMA I LP	Jersey	Note 6	100	Trading	ASLL/ ASGL
Sherwood Jersey Service Limited	Jersey	Note 6	100	Trading	AGGCML
Arrow Global Investments Holdings Italia S.R.L. (AGIHIS)	Italy	Note 7	100	Trading	AGIHL
Arrow Global Italia S.R.L. (AGIS)	Italy	Note 7	100	Trading	AGIHL
Duccio Immobilaire 1 S.R.L	Italy	Note 11	100	Trading	SSS
Etna SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Etna Reoco S.R.L.	Italy	Note 7	0	Trading	N/A
Europa Investimenti Aziende S.R.L. (EIAS)	Italy	Note 8	100	Trading	EIS
Europa Investimenti Corporate Finance S.R.L.	Italy	Note 8	100	Trading	EIS
Europa Investimenti Gestione Attivi S.R.L.	Italy	Note 8	100	Trading	EIS
Europa Investimenti Spa (EIS)	Italy	Note 8	100	Trading	AGIS
Europa Investimenti Trading S.R.L. (EITS)	Italy	Note 8	100	Trading	EIS
Fieramosca Dieci S.R.L.	Italy	Note 8	100	Trading	EIS
Forest SPV S.R.L	Italy	Note 7	0	Trading	AGIS
Lanzone Cinque S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Diciannove S.R.L. (LDS)	Italy	Note 8	100	Trading	EIS
Lanzone Dodici S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Due S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Ventidue S.R.L. (LVS)	Italy	Note 8	100	Trading	EIS
Lanzone Ventuno S.R.L.	Italy	Note 9	70	Trading	LDS
LeaseCo First Srl	Italy	Note 7	100	Trading	ZSS
Leaseco Vulcan S.R.L	Italy	Note 7	100	Trading	ZSS

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Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associate *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Giardini di Sacro Monte Eco-Immobiliare S.r.l.	Italy	Note 7	100	Trading	AGIS
Haywave SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Leonardo Investment Opportunities	Italy	Note 7	0	Trading	N/A
Omnia S.R.L	Italy	Note 10	75	Trading	LDS
Sagitta SGR Spa	Italy	Note 7	100	Trading	EIS
Sansedoni Agency S.R.L	Italy	Note 11	100	Trading	SSS
Sansedoni Siena S.P.A (SSS)	Italy	Note 11	95	Trading	LVS
Selcom Group S.p.A	Italy	Note 12	11.49	Trading	EIS
Solvere S.R.L	Italy	Note 11	100	Trading	SSS
SPV Project 156 S.R.L	Italy	Note 7	100	Trading	AGIS
SPV Project 158 S.R.L	Italy	Note 7	100	Trading	N/A
SPV Project 1608	Italy	Note 7	0	Trading	N/A
SPV Project 1713 S.R.L	Italy	Note 7	100	Trading	AGIS
VAR Reoco S.R.L.	Italy	Note 7	100	Trading	AGIS
Vulcan SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Zen Finance Management S.R.L.	Italy	Note 7	50	Trading	ZSS
Zenith Service S.p.A. (ZSS)	Italy	Note 7	100	Trading	AGIHIS
Zeus Finance S.R.L	Italy	Note 7	0	Trading	N/A
Strzala Sp. z o.o.	Poland	Note 13	100	Dormant	AG(H)L/AGL
Capquest Debt Recovery S.A (pty) Limited	South Africa	Note 14	100	Dormant	AGL
AGHL Portugal Investments Holdings, S.A. (AGHLPIH)	Portugal	Note 15	100	Trading	AGIHL
Capital Elements unipessoal LDA	Portugal	Note 15	100	Trading	NISA
Caprice Prestige, SA	Portugal	Note 16	100	Trading	AGHLPIH
Castle Properties Unipessoal LDA	Portugal	Note 15	100	Trading	AGHLPIH
Central Walls	Portugal	Note 15	100	Non-Trading	AGHLPIH
Details Hotels & Resorts, SA	Portugal	Note 16	75	Trading	AGHLPIH
Hefesto STC, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Little Turbilhão SA	Portugal	Note 15	100	Trading	AF3L
MREO Investments, SA	Portugal	Note 17	100	Trading	AGHLPIH
Norfin Investimentos, S.A.(NISA)	Portugal	Note 15	100	Trading	AGHLPIH
Norfin – Serviços, S.A	Portugal	Note 15	100	Trading	NISA
Norfin – Sociedade Gestora de Organismos de Investimento Coletivo, S.A	Portugal	Note 15	100	Trading	NISA
Restart Capital Unipessoal, LDA	Portugal	Note 15	100	Trading	AGHLPIH
Sandalgreen, Assets, S.A.	Portugal	Note 15	100	Trading	AF3L
Sucesso Delicado, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Whitestar Asset Solutions, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Amstelveste Vastgoed B.V.	the Netherlands	Note 18	100	Trading	AGIHB/VFS
Arrow Global Benelux (Holdings) B.V. (AGBH)	the Netherlands	Note 18	100	Trading	AGIHB
Arrow Global Investments Holdings Benelux B.V. (AGIHB)	the Netherlands	Note 18	100	Trading	AGIHL
Fiditon Holding B.V. (FH)	the Netherlands	Note 18	100	Trading	AGIHB
Focum Commerce B.V.	the Netherlands	Note 18	100	Trading	FG
Focum Finance B.V.	the Netherlands	Note 18	100	Trading	FG
Focum Groep B.V. (FG)	the Netherlands	Note 18	100	Trading	AGIHB
Focum Solutions B.V.	the Netherlands	Note 18	100	Trading	FG
Incassobureau Fiditon B.V.	the Netherlands	Note 18	100	Trading	FH
Universum Inkasso B.V. (UI)	the Netherlands	Note 18	100	Non-Trading	AGIHB

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associate *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Vesting Finance Detachering B.V.	the Netherlands	Note 18	100	Trading	VFH
Vesting Finance Holding B.V. (VFH)	the Netherlands	Note 18	100	Trading	AGIHB
Vesting Finance Incasso B.V.	the Netherlands	Note 18	100	Trading	VFH
Vesting Finance Servicing B.V. (VFS)	the Netherlands	Note 18	100	Trading	AGIHB
Alpha Credit Holdings 2 S.a.r.l	Luxembourg	Note 19	100	Trading	AGL
Alpha Credit Holdings 3 S.a.r.l	Luxembourg	Note 19	100	Trading	AGL
Arrow Global SMA II GP S.a.r.l	Luxembourg	Note 20	100	Trading	ASLL
Arrow Professional Services (Luxembourg) S.a.r.l.	Luxembourg	Note 20	100	Trading	AGIHL
Bow Advisers S.á r.l	Luxembourg	Note 21	100	Trading	AGGCML
Bow Advisers II S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Aggregatror S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow (Co-invest) Advisers S.á r.l	Luxembourg	Note 21	100	Trading	AGGCML
Bow (SMA) Advisers S.á r.l	Luxembourg	Note 21	100	Trading	AGGCML
Spear ACO Alux 9 S.á r.l	Luxembourg	Note 20	100	Dormant	AGGCML
Spear ACO Alux 10 S.à r.l	Luxembourg	Note 20	100	Dormant	AGGCML
Spear ACO Alux 11 S.à r.l	Luxembourg	Note 20	100	Dormant	AGGCML
Spear ACO Alux 13 S.á r.l	Luxembourg	Note 20	100	Dormant	AGGCML
Spear ACO Alux 14 S.á r.l	Luxembourg	Note 20	100	Dormant	AGGCML
Spear ACO Alux 15 S.á r.l	Luxembourg	Note 20	100	Dormant	AGGCML
Spear ACO Alux 16 S.á r.l	Luxembourg	Note 20	100	Dormant	AGGCML
Focum Belgium (BVBA)	Belgium	Note 22	100	Trading	AGIHB/FG
Arrow Global Adviser Co USA Inc	USA	Note 23	100	Trading	AGAL

** Subsidiaries which have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006, with Arrow Global Group Limited providing a declaration of guarantee as at 31 December 2022.*

Notes	Registered addresses
Not[e] 1	10th Floor, West One, 114 Wellington Street, Leeds, LS1 1BA, UK
Note 2	1 Bartholomew Lane, London, EC2N 2AX, UK
Note 3	Belvedere, 12 Booth Street, Manchester, M2 4AW, UK
Note 4	One Warrington Place, Dublin, D02 HH27, Ireland
Note 5	First Floor, Albert House, South Esplanade, St Peter Port, Guernsey
Note 6	27 Esplanade, St Helier, JE1 1SG, Jersey
Note 7	Via V. Betteloni 2, 20131 Milan, Italy
Note 8	Via Lanzone 31, 20123 Milan, Italy
Note 9	Via Niccolo Tommaseo 68, 35131 – Padova, Italy
Note 10	Galleria Porte Cortarine, 4/93, 35137 Padova, Italy
Note 11	Via Garibaldi 60, Siena, CAP 53100, Italy
Note 12	Castel Maggiore (BO) Via Grandi n. 5 – CAP 40013, Italy
Note 13	Al. Jerozolimskie nr 148, 02–326, Warszawa, Poland
Note 14	Office Suite 15, Canal Edge 1, Tyger Waterfront, Carl Cronje Drive, Bellville, Western Cape, 7530, South Africa
Note 15	Avenida Almirante Gago Coutinho, nº. 30, piso 0 1000-017 Lisboa, Portugal
Note 16	Urbanização Quinta Pedra dos Bicos, lote 24, 8200-381 Albufeira, Portugal
Note 17	Av. Fontes Pereira de Melo, 14,15,1050-121 Lisboa, Portugal
Note 18	Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands
Note 19	412F, R'ute d'Esch, L-1471 Luxembourg
Note 20	26, Boulevard Royal, L-2449 Luxembourg
Note 21	6D, route de Treves, L-2633 Senningerberg, Grand Duchy of Luxembourg
Note 22	Koralenhoeve 15, 2160 Wommelgem, Belgium
Note 23	251 Little Falls Drive, Wilmington, County of New Castle, 19808 USA

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associate *(continued)*

All subsidiaries are included in the Group consolidation, including where the Group does not own 100% of the ordinary shares of the Company. This may arise where the Group exercises control over the relevant activity of the entity and can use this control to impact the variability of returns from the entity. The Group, at times, must exercise judgement as to whether the combination of control and exposure to variability of returns arising from an entity means it is acting primarily as an agent, or as a principal for its own interests and should therefore consolidate the entity into the results of the Group. For each period end, the Group went into significant consideration as to whether the Group's acquired stake in Maslow Global Limited and option to purchase the remaining 51% in the future required consolidation or not, and concluded that it should be treated as an investment in associate, see page 73 for more detail. The Group did not consolidate any entity which individually had material non-controlling interest balances, and, as such, no further disclosure on non-controlling interests have been provided in this note.

Financial support given to structured entities

During the year, the Group issued no guarantees (2021: nil) to holders of notes issued by structured entities that the Group consolidates.

Company: investment in subsidiaries

	2022 £000	2021 £000
Sherwood Acquisitions Limited	577,675	577,675
Sherwood Financing plc	50	50
Sherwood Financing 2 Limited[1]	–	–
Total	**577,725**	**577,725**

The investments in subsidiaries are all stated at cost less accumulated impairment, the latter which is zero.

[1] *Investment of £1.*

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associate *(continued)*

Associate

On 31 December 2021, the Group acquired 49% of the share capital of Maslow Global Limited (Maslow). Maslow currently specialises in UK real estate development finance, the acquisition of which enhances the Group's capabilities in this sector of the market. The total consideration for the investment was £36,750,000 including cash of £24,500,000, £12,250,000 of equity instruments via 3,983,740 shares in the parent company Sherwood Topco Limited in December 2021. The Group entered into a share option agreement to acquire the remaining 51%. As at the year end, the share option was valued at £30,286,000 (2021: £25,434,000), creating a derivative fair value movement in the consolidated statement of profit or loss of £4,834,000.

Maslow's principal place of business and country of incorporation is Jersey, with a focus on the UK market. As at the period end the Group held 49% of the ownership interest.

The investment in Maslow has been recognised as an investment in associate and has been equity accounted.

Summarised below is a reconciliation of the movements in the carrying value of the Group's associates during the year:

	£000
Interest in the net assets of the associate as at 1 January 2022	62,184
Share of profit in associate during the year	1,684
Additions	282
Interest in the net assets of the associate as at 31 December 2022	**64,150**

The following is summarised financial information for Maslow as at 31 December 2022, modified for fair value adjustments on acquisition.

	2022	2021
	£000	£000
Maslow's summarised financial information		
Current assets	24,794	8,633
Non-current assets	634	11,992
Current liabilities	(3,060)	(1,693)
Net assets	**22,368**	**18,932**
Attributable to investee's shareholders	22,368	18,932
Group's interest in investee		
Group's interest in net assets of investee at the period end	10,961	9,277
Goodwill	52,907	52,907
Carrying amount of interest in investee at the period end	**63,868**	**62,184**

The £282,000 of additions in the year relate to an associate investment in Sansedoni, an Italian real estate asset and property manager.

An assessment for impairment has been undertaken as at 31 December 2022 with no impairment identified. Key estimates used in the assessment are the expected long-term cash flows of Maslow combined with the Integrated Fund Management CGU and the market discount rate applied. The assessment concluded the investment has a net present value of £76,200,000. A reasonable range has been defined by excluding carry interest receipts as a downside scenario and increasing revenue synergies in the long term by 10% as an achievable upside scenario. This defines the reasonable range for the net present value of Maslow as at 31 December 2022 as £60,900,000 to £79,400,000.

The investment would become impaired based on a carry interest cash reduction or based on an increase in the discount rate noted below:

	2022
A reduction in carry interest cash of	80%
A discount rate increase of	3%

Notes to the Financial Statements *(continued)*

22. Portfolio investments

Split of portfolio investments by period:

	2022	2021
	£000	£000
Expected falling due after 1 year	727,465	737,471
Expected falling due within 1 year	296,391	311,310
	1,023,856	**1,048,781**

The movements in portfolio investments were as follows:

As at 31 December 2022	**Amortised cost**	**FVTPL**	**Real estate inventories**	**Total**
	£000	**£000**	**£000**	**£000**
Balance at the beginning of the year	704,944	302,808	41,029	1,048,781
Portfolios purchased during the year	37,007	129,500	9,207	175,714
Investments awaiting deployment[1]	–	5,305	–	5,305
Balance sheet cash collections in the year	(233,657)	(134,608)	(11,858)	(380,123)
Income from portfolio investments at amortised cost	97,812	–	–	97,812
Fair value gain on portfolio investments at FVTPL	–	21,351	–	21,351
Income from portfolio investments – real estate inventories	–	–	2,072	2,072
Net impairment losses	8,992	–	138	9,130
Exchange and other movements	26,096	6,843	10,875	43,814
As at the 31 December 2022 including held for sale	**641,194**	**331,199**	**51,463**	**1,023,856**
Portfolios moved to assets held for sale[2]	(249,012)	–	–	(249,012)
As at the 31 December 2022 excluding held for sale	**392,182**	**331,199**	**51,463**	**774,844**

[1] Investments awaiting deployment relates to cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which have not yet completed at the year end.

[2] Portfolio investments include £249,012,000 in respect of the Capquest and Mars UK platforms as at 31 December 2022, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £392,182,000 of 'portfolio investments – amortised cost' on the consolidated statement of financial position.

As at 31 December 2021	**Amortised cost**	**FVTPL**	**Real estate inventories**	**Total**
	£000	**£000**	**£000**	**£000**
Balance at 29 March 2021	–	–	–	–
Acquired on acquisition of subsidiary	739,732	262,188	43,391	1,045,311
Portfolios purchased during the period	12,633	59,204	–	71,837
Balance sheet cash collections in the period	(71,819)	(27,380)	(2,206)	(101,405)
Income from portfolio investments at amortised cost	26,929	–	–	26,929
Fair value gain on portfolio investments at FVTPL	–	27,229	–	27,229
Income from portfolio investments – real estate inventories	–	–	379	379
Net impairment losses	(4,058)	–	(850)	(4,908)
Exchange and other movements	1,527	(18,433)	315	(16,591)
As at the period ended 31 December 2021	**704,944**	**302,808**	**41,029**	**1,048,781**

Note that for real estate inventories, which are not financial instruments, the balance sheet cash collections figure above is analogous to total sales of inventories, and the net of balance sheet cash collections and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

22. Portfolio investments *(continued)*

Incorporation of forward-looking information

Note 4 includes a description of how the future cash flows are estimated for the Group's portfolio investments. Additionally, the Group incorporates forward-looking information in the measurement of portfolio investments held at amortised cost. The Group formulates different economic scenarios: a base case, which is the central scenario, developed based on consensus forecasts, and several less likely scenarios.

These scenarios are calculated by an external and independent macroeconomic forecasting company and are reviewed internally before being used in the Group's models. To derive these scenarios, multiple sources of information are considered, including economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund, and selected private-sector and academic forecasts.

The Group has identified and documented key drivers of credit risk for its portfolio investments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for portfolio investments are: HPI and default rates, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows.

Scenario modelling information

To assist with the understanding of how the Group has modelled the future cash flows which ultimately drive the valuation of the portfolio investment assets, the below table shows the probability that has been assigned to each macroeconomic scenario when preparing the cash flow forecasts.

Key sensitivities

The estimated future cash flows generated by portfolio investments are the key estimates/judgements in these financial statements. Flexing the expected future gross cash flows by -1/+1% would impact the closing carrying value of the portfolio investments as at 31 December 2022 by £9,724,000 (2021: £10,078,000). Note that this sensitivity applies only to 'amortised cost' and 'FVTPL' portfolio investments, as this is not a critical estimate for real estate portfolio assets.

A key input into the estimate of future cash flows is the probability assigned to each of the 'base' and 'downside' cases. If 100% probability was assigned to the most optimistic/pessimistic scenario, the impact is shown in the below table, split by geography and asset class. Note that this sensitivity applies only to 'amortised cost' and 'FVTPL' portfolio investments, as this is not a critical estimate for real estate portfolio assets, as these are only assessed for impairment each period, and such an assessment does not necessarily take into account the multiple future economic scenarios.

2022	**Carrying balance**	**Upside variance[1]**	**Downside variance[1]**
Geography	**£000**	**£000**	**£000**
UK and Ireland	383,739	6,706	(8,077)
Portugal	244,988	50,985	(45,843)
Netherlands	137,579	17,736	(14,417)
Italy	257,550	12,712	(15,689)
	1,023,856	**88,139**	**(84,026)**

[1] The held for sale portfolio investments have been excluded from this calculation.

2021	**Carrying balance**	**Upside variance**	**Downside variance**
Geography	**£000**	**£000**	**£000**
UK and Ireland	381,659	12,396	(13,869)
Portugal	231,922	20,714	(15,422)
Netherlands	162,884	21,979	(15,450)
Italy	272,316	3,796	(2,958)
	1,048,781	**58,885**	**(47,699)**

Notes to the Financial Statements *(continued)*

22. Portfolio investments *(continued)*

2022	Carrying balance	Upside variance[1]	Downside variance[1]
Asset class	**£000**	**£000**	**£000**
Secured	349,185	40,508	(40,422)
Unsecured	623,208	47,631	(43,604)
Real estate inventories	51,463	N/a	N/a
	1,023,856	**88,139**	**(84,026)**

[1] *The held for sale portfolio investments have been excluded from this calculation.*

2021	Carrying balance	Upside variance	Downside variance
Asset class	**£000**	**£000**	**£000**
Secured	357,593	27,042	(19,534)
Unsecured	650,159	32,093	(28,367)
Real estate inventories	41,029	N/a	N/a
	1,048,781	**59,135**	**(47,901)**

23. Risks arising from financial instruments

Risk management

Credit risk

One of the Group's principal activities is the acquisition and management of non-performing and non-core consumer and commercial unsecured, secured and real estate portfolios. Most portfolios by their nature are impaired at acquisition and the Group continually monitors balance sheet cash collections that in turn inform the ERCs on which the portfolio carrying value is calculated. The ongoing risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information of debt types, also factoring in sale recoveries from collateral held on the secured portfolios. Further details of the forecasting process are given in note 4.i.

An investment process is in place to approve investments on the Arrow balance sheet and in respect of Arrow's participation in fund investments through its separately managed account. The Group also monitors its exposure to geographic concentration of assets. This process exists to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Where portfolio investments are measured at amortised cost using the EIR method, as part of the regular monitoring process, the future cash flows in the ERCs are updated, with impairment gains/losses as a result of changes to the estimated cash flows discounted at the EIR rate. Where portfolio investments are measured at FVTPL, they are measured using a discounted cash flow model.

The Group's management of credit risk is further enhanced through the modelling of multiple economic scenarios and the impact this is expected to have on future balance sheet cash collections performance. All of the Group's portfolio investments have been classified as POCI, due to their credit-impaired nature at the date of purchase. Therefore, no consideration has been given to the staging requirements of IFRS 9 for the Group's portfolio assets.

Given the nature of the portfolios the Group purchases, most arrangements entered into with our customers are of a non-contractual nature, where we work to establish, or re-establish, suitable payment plans that are affordable and sustainable.

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day-to-day working capital is funded by its cash and cash equivalents.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Credit quality analysis

The Group's purchased portfolio investments have been classified as purchased or originated as credit impaired (POCI) as they include financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses (ECL) against POCI exposures are always calculated on a lifetime basis (cumulative changes in ECL since initial recognition), and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, any changes in lifetime ECL after initial recognition are recognised in profit or loss. The ECL calculation for POCI assets is based on an ECL over 84-months.

In determining ECLs, the assessment of forward-looking economic assumptions, which are sourced from an independent specialist forecasting company, the Group considers a number of macroeconomic scenarios, including assumptions on unemployment, HPI and default rates. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, as well as upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgement and is subject to appropriate internal governance.

Impairment gains/losses are changes to carrying values, discounted at the EIR rate, of the acquired debt portfolios as a result of reassessments of their estimated future cash flows and are recognised in the line item 'impairment gains on portfolio investments at amortised cost'. There are generally no credit risk mitigants relating to the Group's unsecured portfolio investments.

As all of the Group's amortised cost portfolio assets are POCI, the cash flows are subject to reassessment each period.

The following tables sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated the amounts in the table represent gross carrying amounts.

As at 31 December 2022	**Stage 1-3**	**POCI**	**Total**
	£000	**£000**	**£000**
Portfolio investments – amortised cost	–	641,194	641,194
Loss allowance	–	N/a	N/a
Carrying amount	**–**	**641,194**	**641,194**

As at 31 December 2021	**Stage 1-3**	**POCI**	**Total**
	£000	**£000**	**£000**
Portfolio investments – amortised cost	–	704,944	704,944
Loss allowance	–	N/a	N/a
Carrying amount	**–**	**704,944**	**704,944**

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

The following tables sets out further credit analysis for portfolio investments measured at amortised cost:

As at 31 December 2022

	Secured	Unsecured	Total
Amortised cost portfolio balances	**£000**	**£000**	**£000**
UK and Ireland	28,247	267,130	295,377
Portugal	34,623	120,862	155,485
Netherlands	1,334	38,595	39,929
Italy	32,749	117,654	150,403
Carrying amount	**96,953**	**544,241**	**641,194**

As at 31 December 2021

	Secured	Unsecured	Total
Amortised cost portfolio balances	**£000**	**£000**	**£000**
UK and Ireland	34,878	286,457	321,335
Portugal	42,359	125,560	167,919
Netherlands	1,292	42,071	43,363
Italy	46,526	125,801	172,327
Carrying amount	**125,055**	**579,889**	**704,944**

Portfolio balances are based on the customer's country of domicile

The Group's maximum exposure to credit risk on portfolio investments is considered equal to the current carrying balance of such portfolio investments.

Information on collateral held against amortised cost secured loans

The following table stratifies credit exposures from secured portfolio investments held at amortised cost by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral is based on the most recent appraisals. LTV stratification is deemed a more relevant measure of the value of collateral held against secured loans than gross collateral values held, which may include an amount which is not due to the Group upon realisation.

	2022	2021
LTV Ratio	**£000**	**£000**
Less than 50%	28,515	36,171
51-70%	7,829	9,877
71-90%	7,267	10,889
91-100%	2,281	3,256
More than 100%	51,061	64,862
	96,953	**125,055**

Other types of credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

Assets obtained by taking possession of collateral

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operation.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Significant increase in credit risk

There are no significant increases or decreases in credit risk since origination as all portfolio investments have been deemed to be purchased or originated credit impaired on initial recognition.

Cash and cash equivalents

As part of credit risk, the Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency and derivative financial instruments. Counterparty risk with debt sellers is managed through contractual arrangements and warranties.

The Group generally deposits cash and undertakes currency and derivative transactions with highly rated banks, with limits on the level of exposure to any one institution. Institutions with lower credit ratings can only be used with board approval.

No collateral or credit enhancements are held in respect of any financial derivatives. The maximum credit risk on derivatives and trade receivables is the full carrying amount. The maximum exposure to counterparty risk is as follows:

	2022 £000	2021 £000
Cash and cash equivalents	143,603	202,263[1]

[1] *Includes £3,352,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £198,911,000 of cash and cash equivalents in the consolidated statement of financial position.*

The table represents a worst-case scenario of the counterparty risk that the Group is exposed to. The 31 December 2022 balance is spread across a number of counterparties with the top five accounting for 55% (2021: 61%) of the total. The maximum exposure to one counterparty is £35 million (2021: £71 million).

The cash and cash equivalents are held with banks and financial institution counterparties whose external credit ratings, by either S&P Global Ratings or Moody's Investor Service, are as follows:

	2022 %	2021 %
AA	12	4
A	47	62
Below A	41	34
Total cash and cash equivalents	**100**	**100**

Treasury-related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risks are managed within set limits. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's business operations. No transactions of a speculative nature are undertaken, and written options may only be used when matched by purchased options. No treasury-related written options were entered into during 2022 (2021: nil).

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The treasury policy adopted by the Group serves to reduce this risk by setting a specific policy parameter that there are sufficient committed debt facilities and cash and cash equivalents to meet contractual maturities on borrowing facilities plus an operational headroom. In addition, the Group has a medium-term target to maintain leverage of circa 3 times, there is an appropriate refinancing profile and it has diversified funding sources with no over-reliance on a single or small group of lenders or type of funding. At 31 December 2022, the Group's senior secured notes, revolving credit facility and asset-backed security transaction had an average period to maturity of 4.2 years (2021: 5.0 years). Total cash and undrawn facilities, which excludes cash that may be subject to constraints regarding when the balance can be remitted, were £248.4 million at 31 December 2022 (2021: £304.3 million).

The treasury function monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well-established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group is highly cash generative with regular cash receipts and portfolio purchases (except forward flows) are discretionary, which helps to mitigate liquidity risk.

The key measure used by the Group for managing liquidity risk is liquidity headroom, which includes cash and cash equivalents and the headroom under the revolving credit facility. Liquidity headroom excludes cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. Details of the liquidity headroom as at the reporting date and during the reporting period were as follows:

	2022	**2021**[1]
	£000	**£000**
At 31 December	248,368	304,335
Average for the period	252,117	204,723
Minimum for the period	210,531	148,813
Maximum for the period	297,807	333,657

[1] *Reflects the annualised position for the Arrow business, including results prior to acquisition*

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Maturity analysis

The table below sets out the remaining contractual maturities (undiscounted) of the Group's financial liabilities and financial assets and includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

Group **As at 31 December 2022**	**Less than 1 month** **£000**	**Within 1 year** **£000**	**1-2 years** **£000**	**3-5 years** **£000**	**More than 5 years** **£000**	**Total** **£000**
Financial liability by type:						
Trade and other payables	10,006	121,630	8,202	31,361	3,401	**174,600**
Lease liabilities	–	7,312	18,838	4,955	5,149	**36,254**
£350 million secured senior note (6%)	–	21,000	21,000	392,000	–	**434,000**
€640 million secured senior note (4.625% plus 3-month Euribor)	–	43,040	46,523	698,652	–	**788,215**
€400 million secured senior note (4.5%)	–	15,936	15,936	386,012	–	**417,884**
Revolving credit facility[1]	974	11,563	12,860	187,946	–	**213,343**
Asset-backed securitisation	2,099	6,274	–	–	–	**8,373**
Other borrowings	–	–	1,903	23	–	**1,926**
Bank overdrafts	8,423	–	–	–	–	**8,423**
Total financial liabilities	**21,502**	**226,755**	**125,262**	**1,700,949**	**8,550**	**2,083,018**
Financial asset by type:						
Cash and cash equivalents[2]	143,603	–	–	–	–	**143,603**
Portfolio investments	16,895	280,646	411,070	566,225	180,310	**1,455,146**
Total financial assets	**160,498**	**280,646**	**411,070**	**566,225**	**180,310**	**1,598,749**

[1] *Reflects all drawings at 31 December 2022 being held to the facility maturity date of April 2026.*

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Group As at 31 December 2021	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	13,434	107,413	56,426	40,072	6,865	**224,210**
Lease liabilities	–	2,193	5,781	–	–	**7,974**
£350 million secured senior note (6%)	485	20,515	21,000	413,000	–	**455,000**
€640 million secured senior note (4.625% plus 3-month Euribor)	556	24,419	28,297	88,532	566,636	**708,440**
€400 million secured senior note (4.5%)	557	14,554	15,111	381,133	–	**411,355**
Revolving credit facility[1]	537	6,574	8,159	189,377	–	**204,647**
Asset-backed securitisation	1,188	44,196	11,720	–	–	**57,104**
Other borrowings	–	1,072	1,133	36	–	**2,241**
Bank overdrafts	9,630	–	–	–	–	**9,630**
Total financial liabilities	**26,387**	**220,936**	**147,627**	**1,112,150**	**573,501**	**2,080,601**
Financial asset by type:						
Cash and cash equivalents[2]	202,263	–	–	–	–	**202,263**
Portfolio investments	32,687	292,327	278,490	681,908	182,524	**1,467,936**
Total financial assets	**234,950**	**292,327**	**278,490**	**681,908**	**182,524**	**1,670,199**

[1] *Reflects all drawings at 31 December 2022 being held to the facility maturity date of April 2026.*

[2] *Includes £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position.*

The above table includes a maturity analysis for financial assets that it holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities – to enable the user to evaluate the nature and extent of the Group's and the Company's liquidity risk.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents which can be readily used to meet liquidity requirements. In addition, the Group maintains a committed revolving credit facility provided by a syndicate of banks.

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

The non-derivative financial liabilities and financial assets are calculated based upon the undiscounted cash flows, which include estimated interest payments. The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position date.

Company **As at 31 December 2022**	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	651	–	–	–	–	651
Total financial liabilities	**651**	**–**	**–**	**–**	**–**	**651**

Company **As at 31 December 2021**	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	55	–	–	–	–	**55**
Total financial liabilities	**55**	**–**	**–**	**–**	**–**	**55**

In addition to the above, the Group has entered into certain forward flow agreements to purchase investment portfolio assets to which it has committed to pay an estimated £25,000,000 to 2025 (2021: £18,000,000 during 2022).

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities, and interest rate swap derivative liabilities, which are all designated as cash flow hedges:

	2022		**2021**	
	Outflow £000	**Inflow £000**	**Outflow £000**	**Inflow £000**
Not later than one month	–	–	–	–
Later than one month and not later than six months	1,595	–	–	–
Later than six months and not later than one year	–	785	2,614	2,503
Later than one year and not later than two years	–	1,291	–	–
Later than two years and not later than five years	365	–	–	–
Total	**1,960**	**2,076**	**2,614**	**2,503**

The above table shows the gross contractual undiscounted cash flows receivable and payable on the derivative financial instruments.

The net cash flow exposure as at 31 December 2022 is a £116,000 outflow (2021: £111,000 inflow).

Financial assets pledged as collateral

See note 27 for more information.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk and are considered further below. Note that the Group does not hold any trading portfolios for the purposes of these disclosures.

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates on its borrowings, principally on the floating rate senior secured notes, and therefore seeks to limit this exposure. This is achieved by the use of techniques to fix interest rate costs, including fixed-rate funding (predominantly longer-term bond funding), bank borrowing loan draw down periods and interest rate hedging instruments. These techniques are used to hedge the interest rate costs on a proportion of borrowings over a certain period of time. Most hedging is for up to three years.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2022	2021
Fixed-rate instruments	**£000**	**£000**
Financial liabilities	704,139	685,800
	704,139	**685,800**
Variable-rate instruments		
Financial assets	(143,603)	(202,263)[1]
Financial liabilities	755,555	773,866
Effect of interest rate swaps	(354,139)	–
	257,813	**571,603**

[1] Includes £3,352,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £198,911,000 of cash and cash equivalents in the consolidated statement of financial position.

If interest rates across all countries of operation increased by 50 basis points this would have the following impact:

	2022	2021
	£000	**£000**
Reduction in profit before taxation	(1,254)	(548)

This sensitivity analysis is based on the following assumptions:

- the change in market interest rates occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rates affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk: cash flow exposure, net asset exposure and income statement exposure.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are highly likely to arise in the following 12 months. Where cash flow hedges have been entered into, they are designated as cash flow hedges on specific future transactions.

Net asset exposure

A proportion of the Group's net assets are denominated in Euro. The Group limits its exposure to currency risk on non-functional funding through forward currency contracts. The statement of financial position is reported in Sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Group. The Group aims to minimise, to an acceptable level of appetite, the value of net assets denominated in Euro by funding portfolio assets with Euro denominated borrowings where possible.

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Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Income statement exposure

As with net assets, a proportion of the Group's profit is denominated in Euro but translated into Sterling for reporting purposes. The result for the period is translated into Sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rate relative to the Euro will have an impact on the consolidated result for the period.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% stronger than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase/(decrease) as follows:

	2022	2021
Equity and net assets	**£000**	**£000**
Currency		
Euro (EUR)	(62,199)	(37,413)
	(62,199)	**(37,413)**
Net profit		
Currency		
Euro (EUR)	(4,141)	887
	(4,141)	**887**

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

If foreign exchange rates had been 10% weaker than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase/(decrease) as follows:

	2022	2021
Equity and net assets	**£000**	**£000**
Currency		
Euro (EUR)	51,311	30,610
	51,311	**30,610**
Net Profit		
Currency		
Euro (EUR)	2,295	(726)
	2,295	**(726)**

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is currently not required to hold regulatory capital but has a medium-term target to maintain leverage (calculated as secured net debt over Adjusted EBITDA) of circa 3.0.

The Group aims to maintain appropriate capital to ensure that it has a strong statement of financial position but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance.

The capital structure of the Group consists of cash, cash equivalents debt and equity.

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments *(continued)*

Management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at 31 December 2022 was:

	2022 £000	2021 £000
Ordinary share capital and premium	577,672	577,672
Other reserves	(153,043)	(70,720)
Total equity and reserves	**424,629**	**506,952**

24. Financial assets and liabilities

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below. The Group does not apply 'offsetting' to any of its financial assets and liabilities.

As at 31 December 2022	Mandatorily at FVTPL £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Portfolio investments	331,199	641,194	972,393	967,119
Cash and cash equivalents	–	143,603	143,603	143,603
Derivative asset	808	–	808	808
Other receivables classified as financial assets	–	75,926	75,926	75,926
Total financial assets	**332,007**	**860,723**	**1,192,730**	**1,187,456**

As at 31 December 2021	Mandatorily at FVTPL £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Portfolio investments	302,808	704,944	1,007,752	1,006,042
Cash and cash equivalents[1]	–	202,263	202,263	202,263
Other receivables classified as financial assets	–	47,458	47,458	47,458
Total financial assets	**302,808**	**954,665**	**1,257,473**	**1,255,763**

[1] Includes £3,352,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £198,911,000 of cash and cash equivalents in the consolidated statement of financial position.

As at 31 December 2022	Mandatorily at FVTPL £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Senior secured notes	–	1,258,358	1,258,358	1,077,795
Revolving credit facility	–	169,104	169,104	169,104
Asset-backed loans	–	8,246	8,246	8,246
Bank overdrafts	–	8,423	8,423	8,423
Other borrowings	–	13,590	13,590	13,590
Derivative liability	30,335	–	30,335	30,335
Trade and other payables classified as financial liabilities	3,197	123,401	126,598	126,598
Total financial liabilities	**33,532**	**1,581,122**	**1,614,654**	**1,434,091**

Notes to the Financial Statements *(continued)*
24. Financial assets and liabilities *(continued)*

As at 31 December 2021	**Mandatorily at FVTPL**	**Amortised cost**	**Total carrying amount**	**Total fair value**
	£000	**£000**	**£000**	**£000**
Senior secured notes	–	1,211,416	1,211,416	1,226,970
Revolving credit facility	–	167,373	167,373	167,373
Asset-backed loans	–	55,158	55,158	55,158
Bank overdrafts[1]	–	9,559	9,559	9,559
Other borrowings	–	2,241	2,241	2,241
Derivative liability	25,607	–	25,607	25,607
Trade and other payables classified as financial liabilities	495	111,273	111,768	111,768
Total financial liabilities	**26,102**	**1,557,020**	**1,583,122**	**1,598,676**

[1] *Includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts in the consolidated statement of financial position.*

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For instruments that trade infrequently and have little price transparency, fair value is less objective, and required judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted market prices within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

Application to the Group's financial assets and liabilities

The fair value of amortised cost portfolio investments has been calculated by observing the compression in market yields over time and applying the difference between current average market IRRs for the Group's most recent vintage, and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio. As this calculation is based on unobservable inputs, these fair values would be categorised as level 3 values. The primary unobservable input to which this valuation is sensitive to is the current market rates for portfolios. A 1% rise/fall in this rate would lead to a reduction/uplift in fair value of £(14,011,000)/£14,494,000 (2021: £(10,583,000)/£10,972,000).

The fair value of cash and cash equivalents and the revolving credit facility are deemed to be equal to their carrying amount.

The carrying value of other receivables and payables classified as financial assets/liabilities is deemed to be a good approximation of their fair value, due to their short maturity and low credit risk. These would be considered as level 3 fair values.

Notes to the Financial Statements *(continued)*

24. Financial assets and liabilities *(continued)*

The carrying value of asset-backed loans is deemed to be a good approximation of their fair value. Given the significant collateral underpinning the asset-backed loans, it is deemed appropriate to not adjust the carrying value for expected credit losses when deriving the fair value of the loans. The fair value would be categorised as a level 3 value.

The fair value of the senior secured notes has been calculated by reference to broker quotes that are based on observable market inputs and therefore would be included as level 2 in the fair value hierarchy table should the liability have been held at fair value.

Derivative financial instruments are held at fair value, which is equal to the discounted expected future cash flows arising as a result of the derivative transaction. For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	2022	2021
Level 3	**£000**	**£000**
Assets:		
Portfolio investments	331,199	302,808
Liabilities:		
Contingent consideration	(3,197)	(495)
Derivative liabilities	(30,335)	(25,607)
	297,667	**276,706**

There are no assets or liabilities classed as Level 2. There have been no transfers between level 2 or level 3.

The fair value of derivative financial instruments used for risk management purposes has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December 2022.

The fair value of derivative financial instruments relating to the Maslow acquisition share option has been calculated using a binomial lattice model.

Total gains on portfolio investments recognised at FVTPL have been presented in the income statement as 'Fair value gains on portfolio investments at FVTPL'. The fair value of portfolio investments recognised as FVTPL has been calculated by using a discounted cash flow model. The significant unobservable inputs used in the calculation of portfolio investments categorised as level 3 in the fair value hierarchy are estimated future cash flows (ERCs) derived from management forecasts and the discount rate appropriate to the investment and the anticipated rate of return.

The total 84-month ERC value for the Group's portfolio investments held at FVTPL is £524,464,000 (2021: £407,494,000), with an average discount rate of 24.4% (2021: 15.1%). An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at FVTPL of £3,312,000/(£3,312,000) (2021: £3,028,000/(£3,028,000)). An increase/decrease in the discount rate of 2% would lead to a decrease/increase in the carrying value of portfolio investments held at FVTPL of (£9,488,000)/£10,064,000 (2021: (£10,756,000)/£11,560,000).

The total ERC value for the Group's portfolio investments held at amortised cost is £898,975,000 (2021: 1,018,938,000), with an average discount rate of 22.1% (2021: 21.7%). An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at amortised costs of £6,412,000/(£6,412,000) (2021: £7,049,000/(£7,049,000)). An increase/decrease in the discount rate of 1% would lead to a decrease/increase in the carrying value of portfolio investments held at amortised of (£9,198,000)/£9,537,000 (2021: (£10,583,000)/£10,972,000). A full reconciliation between the opening and closing portfolio investments held at FVTPL has been provided in note 22. For a fuller description of how the future cash flows are estimated, please refer to note 4.

Notes to the Financial Statements *(continued)*

24. Financial assets and liabilities *(continued)*

Reconciliation of level 3 fair values – contingent consideration

Contingent consideration – level 3	**2022 £000**	**2021 £000**
As at the beginning of the year/period	495	–
Acquired on acquisition of subsidiary	2,248	491
Exchange rate differences	130	–
Fair value adjustments	(500)	–
Unwind of discounting	824	4
As at the year/period end	**3,197**	**495**

Contingent consideration has arisen as a result of business combinations in prior periods of Arrow Global Group Limited and its subsidiaries. Deferred contingent consideration arose on the acquisition of Details during 2022. The outstanding balance in 2021 was £495,000 and related to the acquisition of Drydens and had a minimum/maximum pay-out of £nil/£500,000. In 2022, the conditions for payment relating to the Drydens acquisition were not met and hence no cash payment was made in the year and the balance is now £nil.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments, receipts and exposure to currency rate fluctuations. The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2022 is £nil (2021: £2,614,000). The fair value as at 31 December 2022 £nil (2021: £105,000).

Financial instruments not measured at fair value – fair value hierarchy

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Level 3	**2021 £000**	**2021 £000**
Assets:		
Portfolio investments – amortised cost	**641,194**	**704,944**

There have been no transfers in or out of level 3. However, it has been determined that deferred consideration liabilities qualify as level 3 financial liabilities held at amortised cost. The statement of financial position value of the Group's portfolio investments not measured at fair value, is derived from discounted cash flows generated by an internal model. For a fuller description of how the future cash flows are estimated, please refer to note 4. Following acquisition, the fair value will move directionally in line with carrying amount but may deviate as market conditions change.

The Group has an established control framework covering the measurement of portfolio investment carrying values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a semi-annual basis, reviews actual against forecast gross money multiple, approves the latest ERC forecast, assesses the carrying value of the portfolio assets and reviews revenue recognition. A reconciliation of the opening to closing balances for the period of the portfolio investments can be seen in note 22.

The Company did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated.

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Notes to the Financial Statements *(continued)*

25. Unconsolidated structured entities

Unconsolidated structured entities are all structured entities that the Group has an interest in, but does not control. The Group uses structured entities in the normal course of business to facilitate acquisitions of portfolios in accordance with local law, to allow co-investment with other parties, or to implement the financing required to acquire portfolios.

In addition to exposures to unconsolidated structured entities, the Group also undertakes Asset Management and Servicing activities for certain structured entities in which the Group has no other interests. Such activities are charged at a market rates, on terms normal for the industry, and are considered to be a typical customer/supplier relationship per the meaning of this term set out in 'IFRS 12 – Disclosure of Interests in Other Entities'.

Nature and risks associated with Group interests in unconsolidated structured entities:

Geography of operations

As at 31 December 2022	UK and Ireland	Portugal	Italy	Netherlands
Underlying asset type				
Loan receivables	8	9	4	5
Number of entities	**8**	**9**	**4**	**5**

As at 31 December 2022	UK and Ireland	Portugal	Italy	Netherlands
Portfolio investments	**£000**	**£000**	**£000**	**£000**
FVTPL	74,531	53,117	87,922	97,651
Amortised cost	–	–	–	–
Total assets	**74,531**	**53,117**	**87,922**	**97,651**
Total liabilities	**–**	**–**	**–**	**–**

As at 31 December 2021	UK and Ireland	Portugal	Italy	Netherlands
Underlying asset type				
Loan receivables	10	6	3	5
Real estate	–	2	–	–
Number of entities	**10**	**8**	**3**	**5**

As at 31 December 2021	UK and Ireland	Portugal	Italy	Netherlands
Portfolio investments	**£000**	**£000**	**£000**	**£000**
FVTPL	45,309	47,837	69,308	117,967
Amortised cost	–	–	–	–
Total assets	**45,309**	**47,837**	**69,308**	**117,967**
Total liabilities	**–**	**–**	**–**	**–**

The maximum exposure to loss is the carrying value of the instruments summarised above, due to the nature of the Group's holdings at the fact that no additional support has been provided or committed to the vehicles.

Unconsolidated structured entities in which the Group holds an interest are typically financed by a form of junior profit participation note, and in some instances also have senior secured or senior unsecured liabilities to which the junior positions are subordinated.

Notes to the Financial Statements *(continued)*

26. Share-based payments

Management incentive plan

In 2022, the Group established a management incentive plan that entitles key management personnel and senior employees to purchase shares in Sherwood Topco Limited, the top consolidating Group in the structure. In accordance with this plan, holders were entitled to purchase shares at the fair value market price of the shares at grant date.

In considering the MIP plan in line with IFRS 2, the M3 shares issued were considered to contain performance conditions that should be accounted for under IFRS 2. The M3 shares are subject to vesting and leaver provisions over the period to TDR exit or partial exit.

The M3 shares were issued at £1 per share, with 4,778,324 issued during the year.

No charge for the M3 shares has been charged through the consolidated statement of profit or loss during the year as the fair value of these shares is equal to the price paid by management. The fair value of the shares issued has been estimated at grant using the Black-Scholes option pricing model.

27. Borrowings

	2022	2021
	£000	£000
Senior secured notes net of transaction fees of £21,745,000 (2021: £20,538,000)	1,258,358	1,211,416
Revolving credit facility net of transaction fees of £3,109,000 (2021: £4,042,000)	169,104	167,373
Asset-backed loans net of transaction fees of £73,000 (2021 £636,000)	8,246	55,158
Bank overdrafts	8,423	9,559[1]
Other borrowings	13,590	2,241
Total borrowing including held for sale	**1,457,721**	**1,445,747**
Bank overdraft moved to liabilities held for sale	–	71[1]
Total borrowings excluding held for sale	**1,457,721**	**1,445,818**
Total borrowings including held for sale		
Amount due for settlement within 12 months	186,771	220,813
Amount due for settlement after 12 months	1,270,950	1,224,934
	1,457,721	**1,445,747**

[1] Bank overdraft includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes was moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts on the consolidated statement of financial position. See note 29 for more information.

Senior secured notes

On 27 October 2021, the Group successfully priced €400 million 4.5% Euro fixed rated bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026, with the proceeds being used to prepay all the outstanding bonds at that time and certain drawings under the revolving credit facility. The bonds were issued by Sherwood Financing plc and the floating rate notes are subject to a zero percent EURIBOR floor. The bonds are secured on the majority of the Group's assets and subject to market conditions, the Group may initiate a repurchase.

Revolving credit facility

On 6 October 2021, the Group entered into a new £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The margin is subject to a ratchet downwards based upon decreasing leverage levels. The facility ranks senior secured and therefore has a similar security package to the cancelled facility and the bonds issued during 2021. Under the terms of an intercreditor agreement, the facility ranks super senior to the bonds as any obligations under the facility will be settled in advance of any obligations under the bonds.

The facility has one financial covenant, being a leverage test. On 11 October 2021, the existing revolving credit facility, also for £285 million, was cancelled and this revolving credit facility had three financial covenants, being leverage, liquidity and SSLTV tests.

Notes to the Financial Statements *(continued)*

27. Borrowings *(continued)*

Asset-backed securitisation

The Group has one (2021: two) non-recourse committed asset-backed securitisation term loan.

The loan outstanding amounts to £8.3 million as at 31 December 2022 and is secured on UK unsecured assets, pays SONIA plus 3.1% and has a spread adjustment cost of 0.0325%. The Group initially established a £100 million asset-backed facility in April 2019 with £137 million of ERC being sold to a wholly owned subsidiary, AGL Fleetwood Limited, and further ERC has been sold to AGL Fleetwood Limited at various times since the initial set up allowing further borrowings to be drawn. During 2020, the AGG Group entered into further arrangements in connection with the non-recourse facility and an additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made.

The Group previously had a loan secured on Portuguese assets, which was fully repaid in January 2022. The Group entered into this second non-recourse amortising loan of €104.7 million during 2020, which was fully drawn at that time. This loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%.

As at 31 December 2022, £104.9 million of the portfolio investments (2021: £262.6 million), set out in note 3, are pledged as collateral for the asset-backed securitisation.

Notes to the Financial Statements *(continued)*

27. Borrowings *(continued)*

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Senior secured notes £000	Asset-backed loans £000	Revolving credit facility £000	Lease liabilities £000	Deferred and contingent consideration £000	Other borrowings £000	Total £000
Balance at 31 December 2021	**1,211,416**	**55,158**	**167,373**	**18,294**	**29,357**	**37,407**	**1,519,005**
Acquired on acquisition of subsidiary	**–**	**–**	**–**	**6,286**	**–**	**2,866**	**9,152**
Movement in other banking facilities	–	–	(2,993)	–	–	(2,449)	(5,442)
Net proceeds from revolving credit facility	–	–	2,213	–	–	–	2,213
Net proceeds from other borrowings	–	–	–	–	–	9,219	9,219
Repayment of asset-backed loans	–	(47,156)	–	–	–	–	(47,156)
Repayment of interest on issued notes	(63,669)	–	–	–	–	–	(63,669)
Repayment of interest on asset-backed loans	–	(1,189)	–	–	–	–	(1,189)
Repayment of revolving credit facility interest	–	–	(9,067)	–	–	–	(9,067)
Payments on lease liabilities	–	–	–	(5,449)	–	–	(5,449)
Banking facility interest and other fees paid	–	–	–	–	–	(425)	(425)
Payment of deferred interest	–	–	–	–	(140)	–	(140)
Total changes from financing cash flows	**(63,669)**	**(48,345)**	**(9,847)**	**(5,449)**	**(140)**	**6,345**	**(121,105)**
Liability-related							
Interest expense on issued notes	63,740	1,015	–	–	–	–	64,755
Amortisation of capitalised transaction fees	4,771	695	933	-	-	8	6,407
Banking facility interest and other fees	–	–	8,890	–	–	(537)	8,353
Interest rate swap and hedge costs	–	–	–	–	–	604	604
Other interest including on finance leases	–	–	–	1,122	162	1,028	2,312
Acquisition-related costs	–	–	–	–	–	718	718
Total interest and similar charges	**68,511**	**1,710**	**9,823**	**1,122**	**162**	**1,821**	**83,149**
The effect of changes in foreign exchange rates	47,488	(161)	1,578	423	65	593	49,986
Capitalised transaction fees	(5,388)	(116)	–	–	–	12	(5,492)
Net deferred consideration commitments	–	–	–	–	(6,011)	(156)	(6,167)
Other changes	–	–	177	10,364	3,197	3,460	17,198
Total liability-related changes	**42,100**	**(277)**	**1,755**	**10,787**	**(2,749)**	**3,909**	**55,525**
Balance at 31 December 2022 including held for sale	**1,258,358**	**8,246**	**169,104**	**31,040**	**26,630**	**52,348**	**1,545,726**
Borrowings held for sale	–	–	–	(5,812)	–	–	(5,812)
Balance at 31 December 2022 excluding held for sale	**1,258,358**	**8,246**	**169,104**	**25,228**	**26,630**	**52,348**	**1,539,914**

Notes to the Financial Statements *(continued)*

27. Borrowings *(continued)*

Other borrowings

	2022	2021
	£000	£000
Other borrowings	13,590	2,241
Bank overdrafts	8,423	9,559[1]
Derivative liability	30,335	25,607
	52,348	**37,407**

[1] Bank overdraft includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts on the consolidated statement of financial position

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking

Current year acquisition

a. Details

On 3 August 2022, the Group acquired 75% of the share capital of the operating company Details – Hotels & Resorts, SA and 100% of the share capital of Caprice Prestige, SA, together "Details". Details is a Portuguese hotel and hospitality operator, expanding the Group's Portuguese real estate platform capabilities. The total consideration for the acquisition is €16,441,000 (£13,760,000), consisting of €13,755,000 (£11,512,000) cash and €2,686,000 (£2,248,000) deferred contingent consideration. As part of the purchase, the Group has acquired an option to purchase the remaining 25% of the operating company.

In the period from acquisition to 31 December 2022, Details contributed income of £7,212,000 and profit after tax contribution of £1,561,000 to the consolidated results for the year. If the acquisition had occurred on 1 January 2022, Group total income would have been higher by an estimated £5,880,000 and loss after tax would have increased by an estimated £1,954,000.

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

	Note	Book value 3 August 2022	Fair value adjustments 3 August 2022	Fair value 3 August 2022
		£000	**£000**	**£000**
Cash and cash equivalents		4,780	–	4,780
Trade and other receivables		1,722	–	1,722
Portfolio investments		7,126	2,081	9,207
Property, plant and equipment		7,312	–	7,312
Deferred tax asset	10	441	–	441
Bank overdrafts		(2,866)	–	(2,866)
Trade and other payables		(9,616)	–	(9,616)
Current tax liability		(70)	–	(70)
Deferred tax liability	10	(1,099)	–	(1,099)
Total identifiable net assets		**7,730**	**2,081**	**9,811**
Goodwill on acquisition				5,467
				15,278
Non-controlling interest				**(1,518)**
				13,760
Consideration:				
Cash consideration				11,512
Deferred contingent consideration				2,248
				13,760

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Cash impact of acquisition in the year:	**£000**
Cash consideration	11,512
Purchase of portfolio investment	(9,207)
	2,305
Cash and cash equivalents acquired	(4,780)
	(2,475)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired under IFRS 13 were as follows.

Portfolio investments	*Market comparison technique and income approach* The valuation model considers market valuations for portfolios where available.

Lease assets and liabilities have been remeasured at the acquisition date under IFRS 16.

Fair values measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill from the acquisition has been recognised as follows:

	£000
Consideration transferred	13,760
Non-controlling interest	1,518
Fair value of identifiable net assets	(9,811)
	5,467

<u>Acquisition related costs</u>

The Group incurred acquisition-related costs of €364,000 on advisory fees and execution costs. These costs have been included in other operating expenses.

Prior year acquisition

a. Arrow Global Group plc (Arrow)

On 11 October 2021, the Group acquired 100% of the share capital of Arrow Global Group plc (now Arrow Global Group Limited). Arrow is a leading European integrated fund manager in the non-performing and non-core assets sector. The total consideration for the acquisition is £565,423,000, consisting of £512,951,000 cash and £52,472,000 of equity instruments, via 17,063,972 shares in the parent company Sherwood Topco Limited. The fair value of the Sherwood Topco Limited shares was based on the cash offer price of 307.5p per share, effected by the Scheme of Arrangement for the acquisition.

In the period from acquisition to 31 December 2021, Arrow contributed income of £64,868,000 and loss after tax contribution of £106,696,000 to the consolidated results for the period. If the acquisition had occurred on 29 March 2021, Group total income would have been higher by an estimated £174,691,000 and loss after tax would have been higher by an estimated £22,992,000, including £44,544,000 relating to the costs of acquisition incurred by Arrow Global Group plc prior to the acquisition. The underlying loss after tax (not including such acquisition costs) for the period 29 March 2021 to 31 December was an estimated £18,926,000.

<u>Acquisition related costs</u>

The Group incurred acquisition-related costs of £39,356,000 on advisory fees and execution costs. These costs have been included in other operating expenses.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

	Note	Book value 11 October 2021	Fair value adjustments 11 October 2021	Fair value 11 October 2021
		£000	£000	£000
Cash and cash equivalents		125,021	–	125,021
Trade and other receivables		59,033	–	59,033
Portfolio investments		1,039,945	5,366	1,045,311
Property, plant and equipment		16,658	1,556	18,214
Intangible assets		38,502	101,821	140,323
Deferred tax asset	10	38,411	(20,279)	18,132
Goodwill		270,027	(270,027)	–
Bank overdrafts		(1,739)	–	(1,739)
Revolving credit facility		(229,930)	(2,249)	(232,179)
Derivative liability		(58)	–	(58)
Trade and other payables		(186,524)	(10,855)	(197,379)
Current tax asset		(2,180)	2,300	120
Other borrowings		(2,368)	–	(2,368)
Asset-backed loans		(74,795)	–	(74,795)
Senior secured notes		(966,764)	(9,672)	(976,436)
Deferred tax liability	10	(18,694)	(21,699)	(40,393)
Total identifiable net assets		**104,545**	**(223,738)**	**(119,193)**
Goodwill on acquisition				688,063
				568,870
Non-controlling interest				**(3,447)**
				565,423
Consideration:				
Cash consideration				512,951
Shares in Sherwood Topco Limited				52,472
				565,423

Cash impact of acquisition in the period:	**£000**
Cash consideration	512,951
Cash and cash equivalents acquired	(125,021)
	387,930

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired under IFRS 13 were as follows.

Portfolio investments	*Market comparison technique and income approach* The valuation model considers market valuations for portfolios where available, and an income approach for the remainder in the form of a discounted cash flow analysis.
Intangible assets – customer intangibles	*Multi-period excess earnings method* The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Intangible assets - software	*Cost approach* The cost approach used is the depreciated replacement cost, reflecting adjustments for functional and economic obsolescence.

Newly identified customer intangible assets of £104,099,000 have been recognised at acquisition.

Other adjustments were made to the acquisition balance sheet of Arrow following post-acquisition events that provided additional information as to the fair value as at acquisition. This includes adjustments to the value of debt obligations redeemed shortly after acquisition and adjustment to assets and liabilities of Whitestar Italy following market offers for the business.

Lease assets and liabilities and deferred tax balances have been remeasured at the acquisition date under IFRS 16 and IAS 12 respectively.

Fair values measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill from the acquisition has been recognised as follows:

	£000
Consideration transferred	565,423
Non-controlling interest	3,447
Fair value of identifiable net liabilities	119,193
	688,063

Notes to the Financial Statements *(continued)*

29. Disposal group held for sale

Current year disposal group held for sale

a. Capquest and Mars UK

Following a strategic review, in Q3 2022, Arrow agreed to divest our non-core UK platforms, Capquest and Mars UK, to Intrum UK, subject to customary closing conditions including regulatory approval. The high levels of competition and overcapacity in the UK unsecured debt management sector have driven lower risk-adjusted returns.

Capquest and Mars UK are part of the Integrated Fund Management segment in the prior year, seen in note 5. In line with applicable accounting standards, the assets and liabilities subject to the agreement, including 100% of the UK unsecured assets, have been reclassified to 'assets held for sale' and 'liabilities held for sale' and remeasured at their expected proceeds less costs to sell.

Impairment losses relating to the disposal group

As a result of the remeasurement of the assets and liabilities to their expected proceeds less costs to sell, an impairment of £21.3 million has been recognised in other operating expenses and adjusting items when considering the underlying position. Of the £21.3 million impairment, £8.5 million represents the difference between the carrying value of the portfolios as at December versus proceeds post lock-box date, together with proceeds for the platforms less the short-term working capital requirements, £6.0 million represents transaction and separation costs and £6.8 million arises due to write-off of intangible and sundry assets in connections with the platforms.

Assets and liabilities of disposal group held for sale

The below table details the assets and liabilities in the disposal group classified as held for sale. Remeasurement under IFRS 5 has been applied to non-current assets within the scope of IFRS 5.

31 December 2022	**Note**	**Held for sale £000**
Portfolio investments – amortised cost	**22**	249,012
Intangible assets	**12**	13,194
Property, plant and equipment	**13**	6,346
Deferred tax asset	**10**	1,022
Trade and other receivables	**14**	16,755
Assets held for sale pre impairment on reclassification and cost to sell		286,329
Impairment on reclassification and costs to sell		(15,343)
Assets held for sale post impairment on reclassification and cost to sell		**270,986**
Trade and other payables	**15**	(32,199)
Deferred tax liability	**10**	(1,397)
Current tax liability		149
Liabilities held for sale pre impairment on reclassification and cost to sell		**(33,447)**
Impairment on reclassification and costs to sell		(3,480)
Liabilities held for sale post impairment on reclassification and cost to sell		**(36,927)**
Net assets		**234,059**

The disposal transaction consists of multiple contingent agreements with Intrum UK and its associated vehicles.

The portfolios are subject to two Asset Purchase Agreements (APAs) with the acquiring 50:50 profit share vehicle. The acquiring vehicle is nominally split into two sub-vehicles, one which is notionally for the Group's ongoing interest and another which is notionally for Intrum's ongoing interest. Under the APAs each sub-vehicle has agreed to purchase 50% of the portfolios for £121,250,000, adjusted for net collections since 1 April 2022, under a lock box mechanism.

Notes to the Financial Statements *(continued)*

29. Disposal group held for sale *(continued)*

The Group will retain a 50% interest in the portfolios via profit participating notes (PPNs). The arrangement, including both the Arrow and Intrum sub-vehicles, will be subject to a combined governance committee, separate from either investor. The Group will have 50% representation on this committee, but it will not have unilateral control over its nominal share or the arrangement as a whole. Therefore, derecognition for 100% of the portfolios subject to sale is expected on completion and 100% of the portfolios have been reclassified as held for sale. On completion, the Group will recognise the PPNs as an investment in a joint venture on account of the joint governance.

The Capquest and Mars UK platforms are subject to a share purchase agreement with a purchase price of £36,500,000, adjusted for movements in the operational net assets from 1 April 2022, under a completion accounts mechanism.

Both the UK unsecured portfolios and the net assets of the Capquest and Mars UK platforms are considered one disposal group as the individual sale agreements are with the same ultimate counterparty and associates and are contingent on each other. The loss on reclassification is determined as follows across the constituent agreements, based on 100% of the portfolios being reclassified as held for sale. Management have assessed the credentials of the transaction on the combined disposal group.

As at 31 December 2022	**Book value**	**Purchase price**	**Gain/ (loss)**
	£000	**£000**	**£000**
Portfolio asset purchase agreements	231,889	198,484	(33,405)
Capquest and Mars UK platform share purchase agreements	15,492	40,372	24,880
Selling costs	6,000	–	(6,000)
Arrow Global acquisition fair value adjustments	6,817	–	(6,817)
Total	**260,198**	**238,856**	**(21,342)**

Cumulative income or expenses included in OCI

There were no cumulative income or expenses included in the OCI relating to the disposal group.

Notes to the Financial Statements *(continued)*

29. Disposal group held for sale *(continued)*

Prior year disposal group held for sale

a. Whitestar Italy

During the second half of 2021, Arrow Global committed to a plan to dispose of the business operations of Whitestar Italia S.r.l. (Whitestar Italy). Whitestar Italy was part of the AMS segment in the prior year, now being part of the comparative Integrated Fund Management segment, seen in note 5. Accordingly, the relevant assets and liabilities were presented as a disposal group held for sale. This platform was subsequently disposed of on 11 March 2022 and therefore not included in the 31 December 2022 position. The secured and unsecured investment portfolios and their collections activity previously undertaken by Whitestar Italy were moved to other Arrow subsidiaries pre-disposal.

Impairment losses relating to the disposal group

Impairment losses of £1,107,000 were recognised in other operating expenses, in addition to an acquisition impairment of £817,000 in the opening balance sheet. The impairment losses were applied to reduce the carrying amount of property, plant and equipment and other intangible assets to nil within the disposal group as well as recognising further liabilities for expected selling costs.

Assets and liabilities of disposal group held for sale

	Note	£000
Cash and cash equivalents		3,352
Trade and other receivables	**14**	1,546
Deferred tax asset	**10**	757
Assets held for sale		**5,655**
Trade and other payables	**15**	(6,652)
Bank overdraft	**27**	71
Current tax liability		926
Liabilities held for sale		**(5,655)**

Cumulative income or expenses included in OCI

There were no cumulative income or expenses included in the OCI relating to the disposal group.

Disposal of Whitestar Italy

The Group disposed of Whitestar Italy on 11 March 2022. As at 31 December 2021 the net assets and liabilities adjusted to equal to the expected sale price, less selling costs were anticipated to be £nil. The final position was a £2,121,000 profit on disposal of subsidiary in the P&L in 2022, largely due to finalisation of the sale documentation including a cash distribution out of Whitestar Italy ahead of sale.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

30. Notes to the statement of cash flows

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Loss after tax	(85,107)	(90)	(71,649)	(2)
Adjusted for:				
Balance sheet cash collections in the period	380,123	–	101,405	–
Income from portfolio investments	(99,884)	–	(27,308)	–
Fair value gains on portfolios	(21,351)	–	(27,229)	–
Net impairment (gains)/losses	(9,130)	–	4,908	–
Depreciation and amortisation	23,130	–	6,855	–
Gain on sale of subsidiary	(2,121)	–	–	–
(Gain)/loss on write-off and disposal of property, plant and equipment	(181)	–	741	–
(Gain)/loss on write-off and disposal of intangible assets	(50)	–	6,905	–
Share of profit in associate	(1,684)	–	–	–
Net interest payable excluding lease liability interest	82,027	–	39,094	–
Lease liability interest	1,122	–	202	–
Loss on reclassification to held for sale	21,342	–	–	–
Derivative fair value movements	4,834	–	–	–
Foreign exchange losses/(gains)	10,794	–	(2,166)	–
Tax charge	1,417	–	4,023	–
Operating cash flows before movement in working capital	**305,281**	**(90)**	**35,781**	**(2)**
(Increase)/decrease in other receivables	(27,721)	–	4,355	–
Increase in amounts due to/from subsidiary undertakings	–	(511)	–	–
Increase in amounts due to parent companies	(1,254)	–	–	–
(Decrease)/increase in trade and other payables	(34,314)	601	(19,969)	–
Cash generated by operations	**241,992**	**–**	**20,167**	**(2)**
Income taxes and overseas taxation received/(paid)	270	–	(5,126)	–
Net cash flow from operating activities before purchases of portfolio investments and investments awaiting deployment	**242,262**	**–**	**15,041**	**(2)**
Purchase of portfolio investments and investments awaiting deployment	(181,019)	–	(71,837)	–
Net cash generated by/(used in) operating activities	**61,243**	**–**	**(56,796)**	**(2)**

31. Parent Undertaking

The immediate parent company is Sherwood Midco Limited. The ultimate controlling party is TDR Nominees Limited, which is incorporated in England and Wales. The smallest and largest group in which the results of the company are consolidated is that headed by Sherwood Topco Limited, incorporated in the UK, address 20 Bentinck Street, London, W1U 2EU.

Sherwood Parentco Limited

Consolidated financial statements from 29 March 2021 to 31 December 2021

Independent auditor's report to the members of Sherwood Parentco Limited

Opinion

We have audited the financial statements of Sherwood Parentco Limited ("the Company") for the period ended 31 December 2021 which comprise the consolidated statement of profit or loss and other comprehensive income, consolidated and Parent statement of financial position, consolidated and Parent statement of changes in equity, consolidated and Parent statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes and attending audit committee meetings;

Independent auditor's report to the members of Sherwood Parentco Limited *(continued)*

- Considering remuneration incentive schemes and performance targets for management; and.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates and judgements such as revenue from portfolio investments.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by posted by members of the Executive Committee or Board, those posted by unauthorized individuals, those posted to unusual or seldom accounts, those containing key words, those entries which have value of zero or are unbalanced and those posted by individuals who rarely do during ordinary course of business,
- Evaluating the business purpose of significant unusual transactions, and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor's report to the members of Sherwood Parentco Limited *(continued)*

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection laws, anti-bribery, consumer protection and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report to the members of Sherwood Parentco Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Simon Ryder (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

18 March 2022

Consolidated statement of profit or loss and other comprehensive income for period from incorporation to 31 December 2021

		Incorporation to 31 December 2021
Continuing operations	**Note**	**£000**
Income from portfolio investments at amortised cost	**23**	26,929
Fair value gains on portfolio investments at FVTPL	**23**	27,229
Impairment losses on portfolio investments at amortised cost	**23**	(4,908)
Income from real estate inventories	**23**	379
Total income from portfolio investments		**49,629**
Income from asset management and servicing and fund and investment management	**5**	28,641
Other income		55
Total income		**78,325**
Operating expenses:		
Collection activity and fund management costs	**10**	(33,629)
Other operating expenses	**10**	(73,026)
Total operating expenses		**(106,655)**
Operating loss		**(28,330)**
Finance income	**7**	9
Finance costs	**8**	(39,305)
Loss before tax		**(67,626)**
Taxation charge on ordinary activities	**11**	(4,023)
Loss for the period from continuing operations[1]		**(71,649)**
Other comprehensive loss:		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign exchange translation difference arising on revaluation of foreign operations		952
Total comprehensive loss		**(70,697)**
(Loss)/profit after tax attributable to:		
Owners of the Company		(71,672)
Non-controlling interest		23
		(71,649)
Comprehensive (loss)/ income attributable to:		
Owners of the Company		(70,720)
Non-controlling interest		23
		(70,697)

[1] The loss before tax includes £70,140,000 of adjusting items. For the reconciliation between these results and the condensed consolidated profit and loss, please see the reconciliation on page 83.

The parent company's loss after tax for the period from incorporation to 31 December 2021 was £2,000.

Consolidated and parent statement of financial position at 31 December 2021

Assets	Note	Group 2021 £000	Parent 2021 £000
Cash and cash equivalents		198,911	–
Trade and other receivables	15	52,360	–
Portfolio investments – amortised cost	23	704,944	–
Portfolio investments – FVTPL	23	302,808	–
Portfolio investments – real estate inventories	23	41,029	–
Property, plant and equipment	14	16,634	–
Intangible assets	13	128,429	–
Deferred tax asset	11	3,212	–
Investment in subsidiary undertakings	22	–	577,725
Investment in associates	22	62,184	–
Goodwill	12	688,063	–
Assets held for sale	29	5,655	–
Total assets		**2,204,229**	**577,725**
Liabilities			
Bank overdrafts	27	9,630	–
Revolving credit facility	27	167,373	–
Derivative liability	25	25,607	–
Trade and other payables	16	190,604	55
Current tax liability		1,837	–
Other borrowings	27	2,241	–
Asset-backed loans	27	55,158	–
Senior secured notes	27	1,211,416	–
Deferred tax liability	11	24,286	–
Liabilities held for sale	29	5,655	–
Total liabilities		**1,693,807**	**55**
Equity			
Share capital	18	166,813	166,813
Share premium	18	410,859	410,859
Retained earnings		(71,672)	(2)
Other reserves		952	–
Total equity attributable to shareholders		**506,952**	**577,670**
Non-controlling interest		3,470	–
Total equity		**510,422**	**577,670**
Total equity and liabilities		**2,204,229**	**577,725**

Approved by the board of directors on 18 March 2022, signed and authorised for issue on its behalf by:

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Philip Shepherd
Director
Registered in England and Wales No: 13299333

Consolidated and parent statement of changes in equity for period from incorporation to 31 December 2021

Group	Ordinary shares	Share premium	Retained earnings	Translation reserve[1]	Total	Non-controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 29 March 2021 (incorporation)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loss after tax	–	–	(71,672)	–	**(71,672)**	23	**(71,649)**
Exchange differences	–	–	–	952	**952**	–	**952**
Total comprehensive loss for the period	–	–	(71,672)	952	**(70,720)**	23	**(70,697)**
Shares issued	166,813	410,859	–	–	**577,672**	–	**577,672**
Minority interest on acquisition	–	–	–	–	**–**	3,447	**3,447**
Balance at 31 December 2021	**166,813**	**410,859**	**(71,672)**	**952**	**506,952**	**3,470**	**510,422**

[1] Other reserves total £952,000.

Parent	Ordinary shares	Share premium	Retained earnings	Total
	£000	£000	£000	£000
Balance at 29 March 2021 (incorporation)	–	–	–	–
Profit after tax	–	–	(2)	**(2)**
Total comprehensive loss for the period	–	–	(2)	**(2)**
Shares issued	166,813	410,859	–	**577,672**
Balance at 31 December 2021	**166,813**	**410,859**	**(2)**	**577,670**

Consolidated and parent company statement of cash flow for period from incorporation to 31 December 2021

	Note	Group 2021 £000	Parent 2021 £000
Net cash (used in)/generated by operations	**30**	**(56,796)**	**(2)**
Investing activities			
Purchases of property, plant and equipment	**14**	(669)	–
Purchases of intangible assets	**13**	(1,200)	–
Proceeds from disposal of intangible assets and property, plant and equipment		57	–
Acquisition of an associate		(24,500)	–
Acquisition of subsidiaries, net of cash acquired	**28**	(387,930)	(512,951)
Deferred consideration paid in connection with subsidiary acquisitions		(8,581)	–
Net cash used in investing activities		**(422,823)**	**(512,951)**
Financing activities			
Movements in other banking facilities		(319,705)	–
Proceeds from revolving credit facility		263,162	–
Proceeds from senior notes issuing		1,226,705	–
Redemption of senior notes		(959,084)	–
Early bond repayment costs		(17,035)	–
Repayment of ABS		(19,408)	–
Payment of interest on senior notes		(4,750)	–
Payment of interest on asset-backed loans		(658)	–
Issue of share capital		512,951	512,953
Bank interest received	**7**	9	–
Bank and other similar fees paid		(359)	–
Lease payments	**20**	(1,191)	–
Payment of deferred interest		(1,419)	–
Net cash flow generated by financing activities		**679,218**	**512,953**
Net increase in cash and cash equivalents		**199,599**	–
Cash and cash equivalents at beginning of period		–	–
Effect of exchange rates on cash and cash equivalents		2,664	–
Cash and cash equivalents at end of period including held for sale		**202,263**	**–**
Cash and cash equivalents held for sale[1]		(3,352)	–
Cash and cash equivalents at end of period excluding held for sale		**198,911**	**–**

[1] £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

Notes to the Financial Statements

1.1. General information

Sherwood Parentco Limited ('the Company') is a private company limited by shares, incorporated in England and Wales. The address of the registered office is presented on page 1. The financial statements are presented in pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand except when otherwise indicated.

The Company's subsidiaries, both direct and indirect, at 31 December 2021 are listed in note 22.

The Group's principal activity is to identify, acquire and manage secured and unsecured defaulted and non-core loan portfolios and real estate from, and on behalf of financial institutions such as banks, institutional investors and credit card companies.

1.2. Basis of preparation and going concern

The Group and Company's financial statements for the 29 March 2021 (the period of incorporation) to 31 December 2021 have been prepared in accordance with UK-adopted international accounting standards.

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes of the Company have not been presented in this annual report and accounts.

The financial statements of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and certain portfolio investments and the amortised cost accounting for other financial assets and liabilities.

Going concern statement

In assessing whether the going concern basis is appropriate to adopt for the Group as at 31 December 2021, the directors have undertaken thorough analysis of forecast cash flow models and scenarios for a period of at least 12 months from the date of approval of these accounts, with the primary focus of detailed forecasting running to the end of 2022.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. Key items considered within each forecast were the future outlook for HPI and unemployment, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows. These cash flows were considered against the Group's future liquidity position, taking into account that there are no bond maturities until 2026. Adherence to the Group's leverage covenant was also considered in all scenarios.

The results of this scenario analysis show that in a severe but plausible downside scenario, before considering any management actions (such as cost reductions, slowing purchases and collection acceleration) as required, the Group is able to maintain sufficient liquidity, operate within banking covenants, and to continue as a going concern. This scenario was aligned to the severe downside forecasts outlined in note 23.

Finally, a reverse stress test has also been prepared to identify the magnitude of a downside stress that needs to occur to cause the group to breach its liquidity headroom and/or leverage covenant. It has been concluded that this represents an overly severe and implausible scenario. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

2. Accounting Standards

New standards

The following new standards and interpretations are mandatory for the year beginning 1 January 2021:

- Interest rate benchmark reform phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);

The Group also chose to early adopt the 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7' early in 2019.

2.1 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Company's financial statements:

- Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37);
- Annual improvements to IFRS standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- IFRS 17 Insurance Contracts;
- Classification of liabilities as current or non-current (Amendments to IAS 1);
- Accounting policies, changes in accounting estimates and errors: definition (Amendments to IAS 8); and
- Amendments to IAS 1 presentation of financial statements and IFRS practice statement 2 making material judgements.

3. Significant Accounting Policies

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Contingent consideration

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2021 and the comparative period.

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Securitisation vehicles

Securitisation vehicles in which the Group holds an economic interest are usually operated according to predetermined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of various securities in the vehicles.

Outside the day-to-day servicing of the receivables (which may be carried out by the Group under a servicing contract), key decisions are usually required only when the intent of the participants regarding the design of the economic structure or the strategy for the collection of the underlying assets changes.

In assessing whether it has control, the Group considers whether it manages the key decisions that most significantly affect these vehicles' returns, alongside its total variability related to its economic interests in the vehicles. As a result, the Group has concluded that it controls some of these vehicles, but not all (for more information on consolidated vehicles, see note 26).

Investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove fund manager. For all funds managed by the Group, the investors are able to vote by simple majority, less than ten investors, to remove the Group as fund manager without cause.

In summary, the number of investors who are required to act together to remove the Group as fund manager without cause is low. Although similar, the investment strategies of the Group and other investors in the fund are different, with the Group having the option to not invest in certain circumstances. Therefore, despite the Group's variability of its aggregate economic interest in some cases being above 30% (depending on which items are included/excluded), the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

For further disclosure in respect of unconsolidated securitisation vehicles and investment funds in which the Group has an interest or for which it is a sponsor, see note 26.

i. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

ii. Transactions eliminated upon consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the spot exchange rates at the date of the transactions. The functional currency of the Group is pounds sterling, which is also the presentational currency of the Group.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the carrying amount in the foreign currency, translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

Interest

i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL).

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. This is the case for all the Group’s portfolio investments held at amortised cost, recognised since the introduction of IFRS 9.

Additionally, for such assets, the future cash flows are forecast across the next 84 months following the balance sheet date. This is the point by which substantially all of the cash flows will have been received from a normal portfolio investment.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, such as legal and due diligence fees.

ii. Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the expected cash flows and, for financial assets, adjusted for any ECL allowance.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, which includes all of the Group's portfolio investments held at amortised cost, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. Subsequently, the carrying value of the portfolios is adjusted by updating future cash receipts and discounting them using the original credit adjusted effective interest rate with the subsequent remeasurement recognised as impairment through the statement of profit or loss.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in fair value gains on portfolio investments at FVTPL.

Fair value gains on portfolio investments at FVTPL

Fair value gains on portfolio investments at FVTPL represents all of the income and expenses relating to the Group's portfolio investments which are classified as FVTPL. The line item includes fair value changes, interest and dividends.

Leases

i. Group acting as a leasee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the shorter of its useful economic life and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The adjustment is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

ii. Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

iii. Group acting as a lessor

None of the arrangements that the Group has entered into have been determined to constitute the Group acting as a lessor under the definitions of IFRS 16.

Taxation

i. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

ii. Current tax

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

iii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

ARROW GLOBAL

Notes to the Financial Statements (continued)

3. Significant Accounting Policies (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

Deferred tax assets and liabilities are offset only if certain criteria are met.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Financial assets and financial liabilities
i. Recognition and initial measurement

The Group initially recognises portfolio investments, debt securities issued and other financial liabilities on the date on which they are acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. No such elections have been made by the Group.

All other financial assets are classified as measured at FVTPL.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. No such designations have been made by the Group.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's portfolio investments are comprised of various types of underlying credit positions. The majority of investments are held by the Group for the primary purpose of collecting the underlying cash flows to the fullest extent possible. Sales of such portfolio investments are not a common occurrence and are not part of management's strategy for such investments when they are purchased.

The Group's co-investment alongside its Fund and Investment Management business is deemed to be held in a different business model than 'hold to collect', as these portfolio investments are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the business model of these assets is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the Group's co-investment alongside its Fund and Investment Management business is classified as FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events changing the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity and similar instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Contractually linked instruments

The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

i. Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. The gain or loss is presented as interest income calculated using the effective interest rate method.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as a derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

ii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

iii. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

iv. Impairment

The Group recognises loss allowances for ECL on financial assets that are debt instruments, and that are not measured at FVTPL. No impairment loss is recognised on equity investments. The Group has not taken the low credit risk exemption for any of its financial assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (excluding credit-impaired assets), for which they are measured as 12-month ECL.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date, except POCI financial assets: as the difference between the gross carrying amount and the present value of estimated future cash flows; or
- POCI financial assets: the ECL is incorporated into the estimated future cash flows, therefore it is not possible to separate this from a 'gross carrying amount' of these assets. As such, although ECL is incorporated into the carrying amount, a separate loss allowance is not held for POCI financial assets. The only material assets in this category are the portfolio investments held at amortised cost.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate; or
- lease receivables: the discount rate used in measuring the lease receivable.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Designation at fair value through profit or loss

The Group has not designated any financial assets or liabilities as FVTPL in either the current or previous periods.

Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Derivatives

All derivatives are measured at fair value in the statement of financial position.

Other assets

No ECL has been recognised for intercompany loans, cash and cash equivalents or trade and other receivables, on the basis that the ECL on such items is deemed to be immaterial.

Property, plant and equipment
i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Furniture	five years
Computer equipment	three years
Leasehold improvements	five years
Vehicles	three years
Right-of-use assets	based on contractual terms

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets

i. Software licenses and IT platforms

Expenditure on internally developed software, such as IT platforms, is recognised as an asset when the Group is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

Intangible assets and goodwill

The capitalised costs of internally developed software include all costs directly attributable to developing the software plus capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Software, including IT platforms, is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to ten years. Amortisation is disclosed within other expenses within the statement of profit and loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

ii. Customer intangibles

When the Group acquires businesses which have material ongoing customer relationships, whether they are contractual or not, the principles of IFRS 3 dictate that the fair value of such customer relationships must be estimated and recognised on the balance sheet at the acquisition date. The impact of this is to effectively reduce the goodwill recognised on acquisition.

Subsequent to the initial recognition of such assets, they are amortised over the expected life of the customer relationships with the Group. This amortisation is recognised within operating expenses.

The useful lives and carrying values of customer intangibles are reviewed at each reporting date and adjusted if appropriate.

iii. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future post-tax cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation with an outflow of economic resources. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the consolidated statement of financial position and are discounted to present value.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as the employees provide services to the Group.

The Group makes contributions to defined contribution plans to provide pension benefits for employees upon retirement, and otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

Inventories

As part of the Group's investment activities, it sometimes acquires real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow a period of time where capital expenditure is being applied to the asset, such investments fall under the scope of IAS 2 – Inventories.

In line with IAS 2, all assets classified as inventories are held at initial cost, plus any subsequent cost of capital expenditure. Such assets are held at the lower of cost and net realisable value, but apart from this, no gain or loss will be taken on the value of the assets until the point at which they are sold, or partially sold.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity, or can demonstrate significant influence, or evidence through a number of aspects such as representation on the board of directors, participation in policy-making and decisions, material transactions between the entity and investee, interchange of managerial personnel or provision of essential technical information. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of the associate from the date that significant influence commences until the date that it ceases.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Share capital and reserves

i. Share capital

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii. Other reserves

Other reserves include the own share reserve, the translation reserve and the merger reserve. These reserves are further explained in note 18.

Intercompany receivables

The Company holds material intercompany receivables within its statement of financial position.

These have been assessed under the IFRS 9 ECL criteria, measuring expected losses over the longest contractual period the Company is exposed to credit risks. The Company has concluded that these assets have no material ECL.

Income from asset management and servicing

i. Servicing fees

The Group undertakes various asset servicing and collection roles on behalf of its customers. The majority of this activity is performed at a point in time, and the service is deemed to have been provided to the customer either due to the passage of time, or upon the completion of an action such as making a collection or sending a notification to the customer. Therefore, in accordance with IFRS 15, the revenue from asset management and servicing activities is recognised either upon the completion of such actions. Where the Group is contracted to perform activities over time, such as master servicing arrangements, the fee is recognised as the services are performed, with time elapsed being the measure of progress.

ii. Asset management fees

The Group earns management fees from its performance of asset management services. Management fees are charged on third-party money managed by the Group and are based on an agreed percentage of either committed money, invested money or net asset value (NAV), dependent on the fund. Management fees are variable fee revenue streams, which relate to one performance obligation and contain a non-performance and performance-related fee element. The non-performance element of the fee is recognised as the services are performed, with time elapsed being the measure of progress. Performance related fees are discussed below.

iii. Performance-related fees

Performance-related fees are recognised only where it is highly probable that the revenue will not be reversed in the future. This is generally near the end of the performance period or upon early liquidation of a fund. Performance-related fees will only be crystallised when a performance hurdle is met. The estimate of performance fees is made with reference to the liquidation profile for the fund, which factors in portfolio exits and timeframes. A constraint is applied to the estimate to reflect uncertainty of future fund performance.

iv. Contract balances

In some instances, fees may be paid to a third party which are directly linked to the acquisition of a long-term contract with a customer. In line with IFRS 15 requirements, such costs are taken to the balance sheet as a cost to acquire a customer contract, and are released to the comprehensive statement of profit or loss over time, on a profile corresponding with the period over which economic benefits will be derived from the contract. Further Information on the Group's contract balances can be found in note 6.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn income and incur expenses, including income and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's board (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Deferred and contingent consideration

During the normal course of business, the Group enters in agreements with third parties to purchase portfolios of financial assets, and the consideration paid may include an element of deferred consideration. Such consideration is discounted at the Group's weighted average cost of debt to its present value at the point of initial recognition of the acquired portfolio asset, and this discounted amount is included within the purchase price of the portfolio asset. A liability for the discounted amount of deferred consideration is also recognised at this time. Subsequent to this, the discount taken from the gross deferred consideration payable to the initial present value is recognised in the income statement as a finance cost over time.

Usually as part of business acquisitions, the Group also enters into arrangements with third parties to pay amounts in the future which are contingent on the outcome of a future event, such as the acquired business meeting certain operational or financial targets. In such instances, the Group forms an initial estimation of the fair value of such consideration by assessing the likelihood of paying out a range of amounts, and using this analysis to calculate the probability-weighted average expected pay-out. This amount is then discounted at the Group's cost of debt to bring it to its present value at the point of acquisition. An assessment is made at this point as to whether the payments constitute a post-employment benefit arrangement with former owners, or not. If this is not the case, the present value is included within the consideration paid to acquire the business and within goodwill, if relevant. Each period, the discount is unwound to the income statement as a finance cost, and the liability is remeasured to its current fair value at that point in time with the remeasurement to the income statement as an other operating expense.

4. Critical accounting judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is set out below.

i. Classification of portfolio investment assets

The Group holds the majority of its portfolio investments at amortised cost, due to the fact that management have determined that these assets meet the SPPI criteria, and are held in a 'hold to collect' business model. The SPPI criteria for each portfolio are assessed at the point each portfolio is being approved for purchase, and are based on the nature of the underlying loans which are being purchased. This determination is made for each purchase individually, unless it is a follow-on purchase of the same or very similar assets, which have already been assessed.

Regarding the 'hold to collect' business model, the Group has determined that this is the most appropriate IFRS 9 business model classification for its general portfolio holding activities, as although in the past a small number of portfolios have been sold outright to a third party, such sales do not comprise a material component of the Group's ERC at any point in time. Therefore, such infrequent sales activity is not deemed to invalidate the 'hold to collect' business model which the Group employs for the majority of its portfolios.

Notes to the Financial Statements *(continued)*

4. Critical accounting judgements and estimates *(continued)*

Another judgement that has been made regarding the Group's amortised cost portfolio assets is that they all fall within the POCI classification for IFRS 9 impairment measurement purposes. This judgement has been made by the Group, based upon the fact that historic purchase history and the current composition of the amortised cost portfolio investments shows that such assets tend to be bought at a point in time where they are credit impaired in some manner. This is supported by not only the nature of the assets, but by the fact that they are usually purchased at a deep discount, which is reflective of their incurred credit losses to date.

For some portfolio investments, the SPPI criteria is not met, or there is an element of subordination within the holding structure. In such instances, these portfolio investments are held at FVTPL. Furthermore, some portfolio investments, such as those involving real estate, do not meet the definition of a financial instrument for accounting purposes. This leads to a portion of the Group's portfolio investments being classified as 'inventories', under the scope of IAS 2.

The Group's co-investment alongside its Fund and Investment Management business is deemed to be held in a different business model than 'hold to collect', as these portfolios are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the business model of these assets has been judged to be neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the Group's co-investment alongside its Fund and Investment Management business is classified as FVTPL.

ii. Determination of control over investees

Arrow holds an economic interest in a number of entities which it determines under IFRS 10, that it does not control. As such, these entities are not consolidated into the Group's financial statements, but rather, the investment in such entities is recognised as a single asset within the appropriate balance sheet classification, usually portfolio investments, but also investment in associates.

Conversely, the Group also consolidates entities into its financial statements which it does not have 100% ownership of, but the Group is judged to control regardless.

The judgement as to whether or not the Group has control over an entity is taken on a case-by-case basis by management, and is firstly based upon whether the Group can exercise any power over the relevant activities of the entity, and if this is the case, whether there is deemed to be a link between such power and the variability of the Group's returns which arise from the entity.

In many cases, the determination of control is clear. Cases where management must apply more judgement can occur where the Group holds a minority equity-level financial interest in a structured entity, as well as providing services to these entities in a typical supplier-customer relationship capacity. In these cases, the Group mainly assesses the relative share of marginal variable returns which flow to third parties versus the share which flows to the Group as a primary indicator of whether the Group is exercising any power it may have to influence the variable returns of the structured entity, either for its own benefit, or for the benefit of third parties in the structure. In the case of the former, the entity will usually be consolidated, whereas under the latter, the entity will usually not be consolidated.

The Group went into significant consideration as to whether the Group's acquired stake in Maslow Global Limited and option to purchase the remaining 51% in the future required consolidation or not, and concluded that it should be treated as an investment in associate, see page 60 for more detail.

Assumptions and estimation uncertainties

i. Carrying value of portfolio investments

The carrying value of portfolio investments is £1,048,781,000 at 31 December 2021. The majority of these portfolio investments are measured at amortised cost.

Arrow has historically generated cash flow forecasts (ERCs) through a bottom-up approach was taken whereby each individual portfolio's cash flow has been modelled based on a number of factors, including balance sheet cash collections history and an array of data concerning the status of the individual loans within these portfolios, for example account-specific balance sheet cash collections history, account statuses, property statuses and valuations (for secured accounts), servicer history, and supporting data from third parties such as credit files or geo-demographics. This data has then been used in conjunction with the predicted effectiveness of any additional collection initiatives to forecast future balance sheet cash collections for each portfolio.

Notes to the Financial Statements *(continued)*

4. Critical accounting judgements and estimates *(continued)*

As at 31 December 2021, the Group utilised the bottom-up approach as Arrow deployed prior to 2020, using a combination of asset-specific forecasts and statistical models to determine each portfolio's expected cash flows. The same range of factors as described above were used, but with further calibration to reflect more recent collection performance and adjusted for initiatives that are expected to improve collections performance. ERCs also include specific considerations of multiple economic scenarios and the impact of collections, in line with IFRS 9. Numerical disclosures and sensitivities have been set out in note 23, to assist the users of these statements in understanding the financial impact of the most recent reforecast.

The portfolio-level ERC curves were then discounted at the appropriate rate (EIR for amortised cost portfolios, a rate reflective of assumptions that market participants would use when pricing the asset for FVTPL portfolios), to obtain the revised NPV and hence carrying value of the amortised cost and FVTPL portfolio investments. For REO portfolio investments, the revised ERC curve was used to determine the net realisable value in assessing each portfolio for potential impairment.

The bottom-up methodology was utilised for Arrow's mid-year 2021 reforecast, and this reforecast was used as the basis for the determination of the ERC curves of the portfolios as at the acquisition by the Group. For the amortised cost portfolios, these ERC curves were then discounted at a rate reflective of assumptions that market participants would if pricing the assets at the date of acquisition, in line with FVTPL portfolios, to determine an acquisition fair value for each portfolio. See Note 28 for a summary of portfolio fair value adjustments. These revised rates then became the basis of the EIR for amortised cost portfolios going forwards, including for the reforecast as at 31 December 2021.

Arrow's REO portfolio investment carrying values were adjusted at acquisition by the Group to reflect fair value of the portfolios. This was done using either an external market valuation less costs to sell or an income approach using Arrow's mid-year ERC, discounted at a rate reflective of assumptions that market participants would if pricing the assets at the date of acquisition. These adjusted valuations then became the Group's cost value of the REO portfolios going forwards. See Note 28 for a summary of portfolio fair value adjustments.

The estimated future cash flows generated by the above process are the key estimate/judgement in these financial statements. Flexing the expected future gross cash flows by +1/-1% would impact the closing carrying value of the amortised cost and FVTPL portfolio investments as at 31 December 2021 by +/- £10,078,000. The forecasting period over which ERCs are calculated is also a key estimate/judgement in these financial statements. Adding or removing six months to the cash flow forecasting period would increase/(reduce) the closing carrying value of the portfolio investments as at 31 December 2021 by £7,246,000/(£9,904,000). Note that there are a large number of inputs that are used to derive the ERC and hence the carrying value of portfolios. However, many of these are factual historical data points which do not individually involve significant estimation uncertainty, and as such, an overall combined sensitivity has been provided.

ii. Fair value of net assets acquired as part of business combinations

The Group capitalises goodwill on the acquisition of entities as discussed in the significant accounting policies. Goodwill is the excess of the consideration paid over the fair value of net assets acquired. Therefore, the fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired portfolio investments and customer intangibles where valuations reflect estimates of amounts and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post-acquisition performance of the acquired entities. Further detail on the valuation of acquired loan portfolios is given in section i. above. Note 28 provides further detail on acquisitions and the net assets acquired on each.

iii. Impairment assessment of goodwill balances

The carrying amount of goodwill is £688,063,000 at 31 December 2021. The Group's goodwill has been recognised as part of the acquisition of Arrow on 11 October 2021 and there has been no indication of impairment as at 31 December 2021. As such, no assessment for impairment has been undertaken in the period.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

5. Segmental reporting

Segmental information has been provided in line with what is reviewed on a regular basis by the chief operating decision maker (CODM), which is the board of directors collectively, as defined in IFRS 8. The principal business categories are as follows:

Balance Sheet business	All portfolio investments that the Group owns, and the income and costs associated with them.
Asset Management and Servicing business (AMS)	Income and costs associated with managing debt portfolios on behalf of the Group and external servicers.
Fund and Investment Management business (FIM)	Income and costs associated with investment management.
Group functions	Costs not directly associated with the other three segments, but relevant to overall oversight and control of the Group's activities.

These segments represent how the Group manages the wider business in 2021 and 2020, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the CODM.

The intra-segment elimination column below removes charges made from the AMS business segment to the Balance Sheet business segment and the FIM business segment on behalf of the Group for servicing and collection of the Group and FIM's portfolio investments and performance fees charged by the FIM business in respect to its investments on behalf of the Group. The intra-segment charge is calculated on equivalent commercial terms to charging third parties.

Incorporation to 31 December 2021	**Balance Sheet business**	**AMS business**	**FIM business**	**Group functions**	**Intra-segment elimination**	**Adjusting items[1]**	**Total inc. adjusting items**	**Total exc. adjusting items**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	42,218	31,007	19,415	55	(14,370)	1,343	**79,668**	**78,325**
Collection activity and fund management costs	(18,376)	(19,280)	(10,343)	–	14,370	–	**(33,629)**	**(33,629)**
Gross margin	**23,842**	**11,727**	**9,072**	**55**	**–**	**1,343**	**46,039**	**44,696**
Gross margin %	*56.5%*	*37.8%*	*46.7%*					
Other operating expenses excluding depreciation, amortisation and forex	(1,976)	(12,633)	(6,106)	(47,631)	–	41,724	**(26,622)**	**(68,346)**
EBITDA	**21,866**	**(906)**	**2,966**	**(47,576)**	**–**	**43,067**	**19,417**	**(23,650)**
EBITDA margin %	*51.8%*		*15.3%*					
Depreciation, amortisation and forex	(239)	(1,137)	(550)	(2,754)	–	4,188	**(492)**	**(4,680)**
Operating (loss)/profit	**21,627**	**(2,043)**	**2,416**	**(50,330)**	**–**	**47,255**	**18,925**	**(28,330)**
Net finance costs	–	–	–	(39,296)	–	22,885	**(16,411)**	**(39,296)**
Profit/(loss) before tax and adjusting items	**21,627**	**(2,043)**	**2,416**	**(89,626)**	**–**	**70,140**	**2,514**	**(67,626)**
Adjusting items[1]	–	–	–	–	–	(70,140)	**(70,140)**	–
Profit/(loss) before tax	**21,627**	**(2,043)**	**2,416**	**(89,626)**	**–**	**–**	**(67,626)**	**(67,626)**

[1] Adjusting items are due to takeover costs incurred in respect of the TDR acquisition, organisational restructuring costs, associated non-cash write downs and other acquisition costs (including amortisation of acquisition intangible assets). More information and a reconciliation between the statutory loss before tax and the underlying profit before tax can be seen on page 83.

Notes to the Financial Statements (continued)

5. Segmental reporting *(continued)*

Total income includes income from portfolio investments, fund and investment management and performance fees, asset management and servicing and other income.

Incorporation to 31 December 2021	UK, Ireland and Jersey	Portugal	Italy	Netherlands	Intra-Group trading	Total
	£000	£000	£000	£000	£000	£000
Total income	43,467	20,064	12,988	16,176	(14,370)	**78,325**
Third-party AMS and FIM income	16,403	7,786	10,837	7,985	(14,370)	**28,641**
Non-current assets	492,794	194,760	93,931	51,641	–	**833,126**

Income from contracts with customers has been disaggregated on a geographical basis, as a similar set of services are provided to customers across the geographies, and therefore this was deemed to be the most appropriate level of disaggregation for this disclosure.

Non-current assets are assets with a useful life of more than one year with the exception of deferred tax which has been excluded.

Gross AMS income includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-Group income for these services.

Gross FIM income includes fund management and performance fees and intra-Group income for these services.

	Incorporation to 31 December 2021 £000
Third-party AMS income	22,785
Intra-Group AMS income	8,222
Gross AMS income	**31,007**
Third-party FIM income	5,856
Intra-Group FIM income	6,148
Income reallocation from Balance Sheet business	7,411
Gross FIM income	**19,415**
Balance sheet business income	49,629
Income reallocation to FIM business	(7,411)
Gross Balance Sheet income	**42,218**
Other income	**55**
Adjusting items	**1,343**
Gross income	**94,038**

Gross income includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-Group income for Asset Management and Servicing, fund and investment management and performance fees and intra-Group income for Fund and Investment Management, total income for the Balance Sheet business, other income and adjusting items.

6. Income from AMS and FIM

Asset management and servicing income

Income from AMS contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies a performance obligation related to a service it has undertaken to provide to a customer.

Servicing income makes up the majority of AMS income, and in itself comprises a broad range of services, including secured and unsecured collection activity, real estate asset realisation, legal title holding, due diligence activities, initial platform migration and on-boarding activities, securitisation vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management.

In all material cases, the services are provided at a point in time that corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognised as the services are provided to the customer, with no deferral or acceleration of revenue across the life of the contract.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

6. Income from AMS and FIM *(continued)*

Fund and investment management income

Fund and investment management income encompasses services provided in relation to the discretionary and semi-discretionary allocation and management of third-party capital. Fees for fund and investment management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis. Income from fund and investment management services is recognised over time as the services are provided.

Contract balances

At 31 December 2021, the Group had assets relating to contracts with customers in the amount of £9,860,000. These assets fully relate to up-front costs which were incurred to acquire customers within the Group's Fund and Investment Management business, and will be released to the comprehensive statement of profit and loss across the same period as the associated income will be recognised, which is the lifetime of the related fund.

A key judgement made in recognising these costs which were incurred to acquire customers was whether or not the investors in the fund met the definition of a customer in accordance with IFRS 15. Given the small number of larger, institutional investors which were engaged with on an individual basis as part of the customer acquisition process, this was deemed to meet the definition of a customer under IFRS 15 guidance. The weighted average life remaining on these contract balances is 6 years and 4 months. The contract balances have amortised in the period, resulting in a £243,000 of amortisation expensed to the comprehensive statement of profit and loss during the period.

7. Finance income

	Incorporation to 31 December 2021 £000
Bank interest	9
	9

8. Finance costs

	Incorporation to 31 December 2021 £000
Interest and similar charges on bank loans	1,768
Interest and similar charges on senior secured notes	12,532
Interest and similar charges on asset-backed securitisation	1,291
Lease liability interest	202
Other interest	627
Recurring finance costs	**16,420**
Finance costs associated with refinancing	22,885
	39,305

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

9. Auditor remuneration

The analysis of auditor remuneration is as follows:

	Incorporation to 31 December 2021 £000
Fees payable for audit services – Company	60
Fees payable for audit services – Group	865
Total fees payable for audit services	**925**
Fees payable for audit-related assurance services	6
Total fees payable for audit-related and regulatory assurance services	6
Fees payable for other assurance services	275
Total fees payable for non-audit services	**281**
Total fees payable	**1,206**

10. Collection activity and fund management costs, other operating expenses and staff costs

10.a Total operating expenses

Total operating expenses are made up of direct and indirect costs, the detail of each is shown in the following tables:

Collection activity and fund management costs	**Incorporation to 31 December 2021 £000**
External collection costs	4,886
Staff costs (see note 10b)	17,635
Direct temp labour	642
Direct operating costs	7,302
Legal disbursements	2,257
Other collection activity costs	907
Total collection activity and fund management costs	**33,629**

Other operating expenses	**Incorporation to 31 December 2021 £000**
Staff costs (see note 10b)	13,668
Other related staff costs	2,938
Premises	737
IT	3,960
Depreciation and amortisation	2,667
Net foreign exchange gains	(2,166)
Other operating expenses	5,310
Recurring other operating expenses	27,114
Takeover costs	16,419
Organisational restructure costs	16,063
Non-cash write-down	8,014
Other acquisition costs	5,416
Total other operating expenses	**73,026**

The other staff-related costs caption largely relates to temporary labour, recruitment and training.

Notes to the Financial Statements *(continued)*

10. Collection activity and fund management costs, other operating expenses and staff costs *(continued)*

10b. Staff costs	**Incorporation to 31 December 2021 £000**
Wages and bonuses	28,094
Pension costs	893
Social security costs	2,316
	31,303

The total executive and non-executive directors' remuneration during the period was £1,540,000, including £5,000 in relation to pension costs. In respect of the highest paid director, salaries and performance related bonus was £160,000, pension-related benefits were £nil.

11. Tax

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax.

a. Amounts recognised in profit and loss	**Incorporation to 31 December 2021 £000**
Current tax charge:	
Tax charge at standard UK corporation tax rate	1,215
Total current tax charge	**1,215**
Deferred tax charge:	
Origination and reversal of temporary differences	2,808
Total deferred tax charge	**2,808**
Total income tax expense	**4,023**

The differences in the effective tax rate for the period and the standard rate of corporation tax in the UK at 19% are as follows:

b. Reconciliation of effective tax rate	**Incorporation to 31 December 2021 £000**
Loss before tax	(67,626)
Tax credit at standard UK corporation tax rate	(12,849)
Effect of tax rates in foreign jurisdictions	158
Expenses not deductible for tax purposes	8,608
Movements in unrecognised deferred tax	8,106
Total income tax expense	**4,023**

c. Amounts recognised in OCI

There were no amounts recognised in the OCI during the period in respect of tax.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

11. Tax *(continued)*

Deferred tax

The Group has recognised a deferred tax asset in relation to losses of £1,847,000, of which £nil relates to the UK.

The Group has not recognised a deferred tax asset in respect of £49,759,000 of tax losses carried forward, due to lack of certainty over future utilisation of the losses. These losses may be available for offset against future profits and have no expiry date. There are no unrecognised deferred tax liabilities.

The rate of UK corporation tax, as enacted under Finance Act 2021, is expected to increase to 25% from 1 April 2023. Deferred taxation is measured at the rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date. No further tax rate changes were enacted during the period in respect of overseas territories in which the group operates.

Movement in deferred tax balances

	Net balance 29 March	On acquisition of subsidiary[1]	Recognised in profit or loss	Reclassification	Foreign exchange	Net balance 31 December	Deferred tax asset[2]	Deferred tax liability
	£000	£000	£000	£000	£000	£000	£000	£000
IFRS and fair value transitional adjustments	–	(34,348)	836	11,454	232	**(21,826)**	**2,122**	**(23,948)**
Other temporary differences	–	148	(506)	11	9	**(338)**	**–**	**(338)**
Losses	–	11,939	(3,138)	(6,815)	(139)	**1,847**	**1,847**	**–**
	–	**(22,261)**	**(2,808)**	**4,650**	**102**	**(20,317)**	**3,969**	**(24,286)**
						Total moved to assets held for sale	**(757)**	–
						Total excluding held for sale	**3,212**	**(24,286)**

[1] See note 28 for further information on the acquisition of subsidiary.

[2] Deferred tax asset includes £757,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

Tax impact of the UK giving notice to withdraw from the EU

Given that the UK has now exited the EU (at 31 January 2020), the Group considered the impact of Brexit from a tax perspective. The only impact foreseen is an increase in withholding tax (WHT) suffered on the payment of interest and/or dividends from Portugal and Italy, which in not expected to be material.

Uncertainty over income tax treatments

The current tax liability of £1,837,000 represents the amount of income taxes payable in respect of current and prior periods, including a provision in relation to uncertain tax positions.

As for most multi-nationals, the current tax environment is creating increasing levels of uncertainty and the Group is potentially subject to tax audits in many jurisdictions. By their nature, these are often complex and could take a significant period of time to be agreed with the tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. The levels of risk arising from tax audits may change as a result of legislative change, tax authority guidance or practice and correspondence with the tax authorities during a specific audit. It is not possible to quantify the impact that such future developments may have on the tax positions taken in the financial statements.

Notes to the Financial Statements *(continued)*

12. Goodwill

	Total
	£000
Cost	
At 29 March 2021 (incorporation)	–
Additions[1]	688,063
At 31 December 2021	688,063
Impairment	
At 31 December 2021 and 29 March 2021	–
Carrying amount	
At 31 December 2021	**688,063**
At 29 March 2021	–

[1] *See note 28 for a detailed analysis of additions to goodwill during 2021.*

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to four aggregated CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the single operating segment defined under IFRS 8 (Operating Segments).

Goodwill CGU allocation

In relation to goodwill, the four CGUs identified are UK, Ireland and Jersey, comprising The UK and Ireland servicing platforms, the Jersey Fund Manager, and portfolio investments based in the UK and Ireland; Portugal, comprising of the Portugal servicing platforms and portfolio investments in Portugal; the Netherlands, comprising of the Netherlands servicing platforms and portfolio investments in the Netherlands and Italy, comprising the Italy servicing platforms and portfolio investments in Italy. The UK, Ireland and Jersey CGU represents the cash flows generated principally from collections on acquired portfolio investments, management and servicing of third-party debt and fund management fees. Portugal, the Netherlands, and Italy CGUs, represent the cash flows generated principally from collections on acquired portfolio investments, fund and investment management and management and servicing of third-party debt.

The Group's goodwill has been recognised as part of the acquisition of Arrow on 11 October 2021 and there has been no indication of impairment as at 31 December 2021. As such, there is no requirement to assess for impairment in the period.

The Group's goodwill balance has been assessed and no part of the overall balance is deemed to be deductible for tax purposes.

For the purposes of impairment testing, goodwill is allocated to the Group's CGUs as follows:

	2021
	£000
UK, Ireland and Jersey	426,047
Portugal	158,906
Italy	62,962
The Netherlands	40,148
	688,063

Notes to the Financial Statements *(continued)*

13. Intangible assets

	Customer intangibles £000	Contractual rights £000	IT Platform[1] £000	Software licences £000	Total £000
Cost					
At 29 March 2021 (incorporation)	**–**	**–**	**–**	**–**	**–**
Assets acquired on acquisition of a subsidiary	104,099	259	23,210	12,755	140,323
Exchange rate differences	117	(8)	(353)	(59)	(303)
Additions	–	–	316	884	1,200
Write-off	–	–	(583)	(6,077)	(6,660)
Disposals	–	–	(222)	(23)	(245)
At 31 December 2021	**104,216**	**251**	**22,368**	**7,480**	**134,315**
Accumulated amortisation					
At 29 March 2021 (incorporation)	**–**	**–**	**–**	**–**	**–**
Exchange rate differences	–	(2)	(47)	(19)	(68)
Amortisation for the period[2]	3,950	18	1,149	837	5,954
At 31 December 2021	**3,950**	**16**	**1,102**	**818**	**5,886**
Carrying amount					
At 31 December 2021	**100,266**	**235**	**21,266**	**6,662**	**128,429**
At 29 March 2021	**–**	**–**	**–**	**–**	**–**

[1] An intangible asset relating to a software upgrade is included within IT platform. The asset has a carrying value of €5,107,000 and a remaining amortisation period of 8 years and 3 months.

[2] Amortisation and depreciation are shown within the other operating costs line of the consolidated statement of profit or loss. Some of the amortisation has been including in adjusting items in the period.

Notes to the Financial Statements *(continued)*

14. Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture	Vehicles	Right-of-use asset[1]	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 29 March 2021 (incorporation)	**–**	**–**	**–**	**–**	**–**	**–**
Assets acquired on acquisition of a subsidiary	2,130	823	243	232	14,786	18,214
Exchange differences	(24)	(22)	(7)	3	(169)	(219)
Additions	7	40	61	164	397	669
Reclassifications	(11)	–	69	–	3	61
Write-offs	(6)	(61)	(90)	(132)	(635)	(924)
Disposals	–	(4)	–	–	(271)	(275)
At 31 December 2021	**2,096**	**776**	**276**	**267**	**14,111**	**17,526**
Accumulated depreciation						
At 29 March 2021 (incorporation)	**–**	**–**	**–**	**–**	**–**	**–**
Exchange differences	(6)	(9)	(3)	(1)	(59)	(78)
Charge for the period	103	35	(28)	18	773	901
Reclassifications	8	1	69	217	(226)	69
At 31 December 2021	**105**	**27**	**38**	**234**	**488**	**892**
Carrying amount						
At 31 December 2021	**1,991**	**749**	**238**	**33**	**13,623**	**16,634**
At 29 March 2021	**–**	**–**	**–**	**–**	**–**	**–**

[1] See note 20 for a detailed analysis of right-of-use assets.

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Notes to the Financial Statements *(continued)*

15. Trade and other receivables

	Group 2021 £000
Trade receivables	30,758
Contract balances	9,860
Other receivables	6,840
Prepayments	6,448
Total including assets held for sale	**53,906**
Trade and other receivables moved to assets held for sale[1]	(1,546)
Total excluding assets held for sale	**52,360**

[1] Trade and other receivables include £1,546,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

16. Trade and other payables

Current	Group 2021 £000	Company 2021 £000
Trade payables	6,179	–
Deferred consideration on acquisition of subsidiaries	313	–
Deferred consideration on portfolio investments	27,854	–
Taxation and social security	4,013	–
Due to subsidiary undertaking	–	55
Accruals	46,337	–
Provisions	12,825	–
Other liabilities	23,004	–
Lease liability	3,082	–
	123,607	**55**
Non-current		
Trade payables	11,562	–
Deferred consideration on acquisition of subsidiaries	1,190	–
Taxation and social security	189	–
Accruals	3,830	–
Liabilities arising on acquisition of bankruptcy portfolios	29,409	–
Other liabilities	12,257	–
Lease liability	15,212	–
	73,649	**–**
Total including held for sale	**197,256**	**55**
Trade and other payables moved to liabilities held for sale[1]	(6,652)	–
Total excluding held for sale	**190,604**	**55**

[1] Trade and other payables include £6,652,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilties held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

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Notes to the Financial Statements *(continued)*

16. Trade and other payables *(continued)*

Included within other liabilities is €941,000 (£790,000) relating to deferred pay for the Italian employees. The employees are part of statutory indemnity schemes, compulsory by law, that entitles them to deferred pay, typically at the end of their employment, the 'Trattamento di fine rapport' (TFR). A liability is recognised to reflect that the indemnity will be paid at a future date, when the employees leave employment. The liability is included within trade and other payables on the statement of financial position and is calculated by an independent expert through an actuarial valuation, the key assumptions used are detailed below:

	2021
Discount rate	0%-1%
Annual inflation rate	1%-2%
Wage inflation	2%-3%
Probability of leaving employment for reasons other than retirement (employees aged 18-60)	2%-15% per annum

17. Contingent liabilities

Through the ordinary course of business, the Group exposes itself to potential liabilities which at present it is not aware of, and may or may not arise in the future. As such, it would not be practical to try and quantify their future financial impact. However, set out below are broad areas of the Group's ordinary business activities which may in the future lead to potential claims or liabilities being incurred by the Group.

Conduct and regulatory compliance

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a possibility that certain aspects of the current or historic business, including, amongst other things, collections practices and general treatment of customers, may be determined by the FCA and other regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment.

Contractual disputes

In carrying out its ongoing business, the Group enters into numerous contracts in any given period with a various third-party entities. There is always a risk that a contractual dispute may arise in the future, which may lead to a claim against the Group in respect of any damages or losses incurred by the third party.

18. Share capital and reserves

Share capital and share premium

	2021
Issued, fully paid and authorised:	**£000**
166,813,369 ordinary shares of 1p each	166,813
	166,813

Total consideration for the shares was £577,672,000, giving rise to a share premium of £410,859,000. There are no restrictions on the repayment of capital.

The shareholders have the right to receive notice of, and to attend and vote at all general meetings of the Company.

Nature and purpose of reserves

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

19. Dividends

No dividends were paid or declared during 2021 and no final dividend are proposed.

Notes to the Financial Statements *(continued)*

20. Leases

The Group has leases for offices premises, vehicles and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 14).

Leases of vehicles are usually limited to a lease term of two to four years. Leases of property generally have a lease term ranging from five years to ten years. Lease payments are generally fixed, however there are a limited number of property leases where rentals are linked to annual changes in an index (either the retail price index or consumer price index).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Right-of-use assets

Right-of-use assets relate to leased office premises and vehicles that are presented within property, plant and equipment (see note 14).

	Office premises	**Vehicles £000**	**Computer equipment £000**
Balance at 29 March 2021	**–**	**–**	**–**
Assets acquired on acquisition of a subsidiary	13,272	1,032	482
Depreciation charge for the period	(1,101)	154	174
Additions	184	110	103
Disposals	(271)	–	–
Reclassifications	3	225	1
Exchange differences	284	(297)	(97)
Write-offs	(633)	–	(2)
Balance at 31 December 2021	**11,738**	**1,224**	**661**

Maturity analysis – contractual undiscounted cash flows

See note 24 for maturity analysis of lease liabilities as at 31 December 2021.

Amounts recognised in profit or loss

The following leases-related expenses were recognised under IFRS 16 in the profit or loss:

	Incorporation to 31 December 2021 £000
Interest on lease liabilities	202
Depreciation charge for the period on right of use assets	773
Expenses relating to short-term leases	21

Amounts recognised in statement of cash flows

The following lease payments were recognised in the statement of cash flows:

	Incorporation to 31 December 2021 £000
Total cash outflow for leases	1,191

Notes to the Financial Statements *(continued)*

21. Related party transactions

Related party balances

Related party balances as at the period end were as follows:

Company	**Amounts due to group undertakings 2021**
	£000
Arrow Global Limited	(5)
Sherwood Financing plc	(50)
Total	**(55)**

Balances relate to intercompany loans that are repayable on demand, with this being the longest contractual period and are, therefore, held as current liabilities.

Summary of transactions

The Company had the following reportable transactions with related parties:

	Other expenses incorporation to 31 December 2021
	£000
Arrow Global Limited	5
Total	**5**

The Company incorporated Sherwood Financing plc, Sherwood Financing 2 Limited and Sherwood Acquisitions Limited in the period. The amount due to Sherwood Financing plc is in relation to it incorporation.

Key management

Key management personnel, defined as permanent members of the board plus the executive committee, were awarded the following compensation for the financial period since being key management:

	Incorporation to 31 December 2021
Remuneration	**£000**
Salaries and performance related bonus	1,535
Pension-related benefits	5
	1,540

The number of key management during the period was 12.

During the current period there were no other related party transactions other than discussed above.

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Notes to the Financial Statements *(continued)*

22. Investments in subsidiaries and associate

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Agenda Management Services Limited	UK (England & Wales)	Note 1	100	Trading	DFS
AGG Capital Management (Holdco) Limited (ACM(H)L)	UK (England & Wales)	Note 2	100	Trading	AGGL
AGL Fleetwood Limited	UK (England & Wales)	Note 2	100	Trading	AFTL
AGL Fleetwood 2 Limited	UK (England & Wales)	Note 2	100	Trading	AF2TL
AGL Fleetwood 2 Topco Limited (AF2TL)	UK (England & Wales)	Note 2	100	Trading	AGIHL
AGL Fleetwood 3 Limited (AF3L)	UK (England & Wales)	Note 2	100	Trading	AF2TL
AGL Fleetwood Topco Limited (AFTL)	UK (England & Wales)	Note 2	100	Trading	AGIHL
Arrow Global (Holdings) Limited (AG(H)L)	UK (England & Wales)	Note 2	100	Trading	AGIHL
Arrow Global Accounts Management Limited	UK (England & Wales)	Note 2	100	Trading	AGL
Arrow Global Adviser Limited	UK (England & Wales)	Note 2	100	Trading	AGIHL
Arrow Global Europe Limited	UK (England & Wales)	Note 2	100	Trading	AGIHL
Arrow Global Finance Plc	UK (England & Wales)	Note 2	100	Trading	AGIHL
Arrow Global Group Limited (AGGL)	UK (England & Wales)	Note 2	100	Trading	SAL
Arrow Global Guernsey Limited	UK (England & Wales)	Note 2	100	Dormant	AG(H)L
Arrow Global Investments Holdings Limited (AGIHL)	UK (England & Wales)	Note 2	100	Trading	AGGHL
Arrow Global Legh Limited	UK (England & Wales)	Note 2	100	Dormant	AG(H)L
Arrow Global Limited (AGL)	UK (England & Wales)	Note 2	100	Trading	AG(H)L
Arrow Global Luna Limited	UK (England & Wales)	Note 2	100	Trading	AG(H)L
Arrow Global Management Limited	UK (England & Wales)	Note 2	100	Dormant	AG(H)L
Arrow Global Massey Limited	UK (England & Wales)	Note 2	100	Dormant	AG(H)L
Arrow Global One Limited (AGOL)	UK (England & Wales)	Note 2	100	Trading	AGGL
Arrow Global Portugal Investments Limited	UK (England & Wales)	Note 2	100	Trading	AF3L
Arrow Global Portugal Limited	UK (England & Wales)	Note 2	100	Trading	AF3L
Arrow Global Receivables Management Limited	UK (England & Wales)	Note 2	100	Trading	AG(H)L
Arrow SMA LP Limited (ASLL)	UK (England & Wales)	Note 2	100	Trading	AGIHL
Bergen Capital Management Limited	UK (England & Wales)	Note 2	100	Trading	MAL
Capquest Debt Recovery Limited (CDRL)	UK (England & Wales)	Note 2	100	Trading	CGL
Capquest Group Limited (CGL)	UK (England & Wales)	Note 2	100	Trading	QNL
Capquest Investments Limited	UK (England & Wales)	Note 2	100	Trading	CGL
Capquest Mortgage Servicing Limited	UK (England & Wales)	Note 2	100	Trading	AGOL
Drydens Limited (DFS)	UK (England & Wales)	Note 1	100	Trading	AGL
Erudio Customer Management Limited	UK (England & Wales)	Note 2	100	Dormant	AG(H)L
Mars Acquisition Limited (MAL)	UK (England & Wales)	Note 2	100	Trading	AGIHL
Mars Capital Finance Limited	UK (England & Wales)	Note 2	100	Trading	MAL
Mars Capital Management Limited	UK (England & Wales)	Note 2	100	Trading	MAL
Quest Bidco Limited (QBL)	UK (England & Wales)	Note 2	100	Trading	QTL
Quest Newco Limited (QNL)	UK (England & Wales)	Note 2	100	Trading	QBL
Quest Topco Limited (QTL)	UK (England & Wales)	Note 2	100	Trading	AGIHL
Sherwood Financing plc	UK (England & Wales)	Note 3	100	Trading	SPL
Sherwood Financing 2 Limited	UK (England & Wales)	Note 3	100	Trading	SPL
Sherwood Acquisitions Limited (SAL)	UK (England & Wales)	Note 3	100	Trading	SPL
Western Acquisition Holdings Limited	UK (England & Wales)	Note 2	50	Dormant	AGL
Mars Capital Management Ireland DAC	Republic of Ireland	Note 4	100	Trading	MAL
Mars Capital Finance Ireland DAC	Republic of Ireland	Note 4	100	Trading	MAL
Arrow Global Guernsey Limited	Guernsey	Note 5	100	Dormant	AGIHL
Arrow Global Guernsey Holdings Limited (AGGHL)	Guernsey	Note 5	100	Trading	AGOL
AGG Capital Management Limited (AGGCML)	Jersey	Note 6	100	Trading	ACM(H)L

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Notes to the Financial Statements *(continued)*

22. Investments in subsidiaries and associate *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow SMA GP Limited (ASGL)	Jersey	Note 6	100	Trading	ASLL
Arrow Global SMA I LP	Jersey	Note 6	100	Trading	ASLL/ ASGL
Arrow Global Investments Holdings Italia S.R.L. (AGIHIS)	Italy	Note 7	100	Trading	AGIHL
Zenith Service S.p.A. (ZSS)	Italy	Note 7	100	Trading	AGIHIS
Zen Finance Management S.R.L.	Italy	Note 7	50	Trading	ZSS
Arrow Global Italia S.R.L. (AGIS)	Italy	Note 7	100	Trading	AGIHL
VAR Reoco S.R.L.	Italy	Note 7	100	Trading	AGIS
Europa Investimenti Spa (EIS)	Italy	Note 8	71.7	Trading	AGIS
Europa Investimenti Trading S.R.L. (EITS)	Italy	Note 8	100	Trading	EIS
Fieramosca Dieci S.R.L.	Italy	Note 8	100	Trading	EIS
Sagitta SGR Spa	Italy	Note 8	97.26	Trading	EIS
Europa Investimenti Aziende S.R.L. (EIAS)	Italy	Note 8	100	Trading	EIS
Europa Investimenti Gestione Attivi S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Due S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Cinque S.R.L.	Italy	Note 8	100	Trading	EIS
Europa Investimenti Corporate Finance S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Diciannove S.R.L. (LDS)	Italy	Note 8	100	Trading	EIS
Lanzone Dodici S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Ventidue S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Quindici S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Ventuno S.R.L.	Italy	Note 9	70	Trading	LDS
LeaseCo First Srl	Italy	Note 7	100	Trading	ZSS
Whitestar S.R.L (WS)	Italy	Note 10	100	Trading	AGIS
New Call S.R.L.	Italy	Note 10	100	Trading	WS
Giardini di Sacro Monte Eco-Immobiliare S.r.l.	Italy	Note 7	100	Trading	AGIS
Etna SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Etna Reoco S.R.L.	Italy	Note 7	0	Trading	N/A
Forest SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Haywave SPV S.R.L	Italy	Note 7	100	Trading	N/A
Leonardo Investment Opportunities	Italy	Note 7	0	Trading	N/A
SPV Project 156 S.R.L	Italy	Note 7	100	Trading	AGIS
SPV Project 158 S.R.L	Italy	Note 7	0	Trading	N/A
SPV Project 1608	Italy	Note 7	0	Trading	N/A
SPV Project 1713 S.R.L	Italy	Note 7	100	Trading	AGIS
Vulcan SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Zeus Finance S.R.L	Italy	Note 7	0	Trading	N/A
PARR SH. P.K.	Albania	Note 11	100	Trading	WS
Strzala Sp. z o.o.	Poland	Note 12	100	Dormant	AG(H)L/A GL
Capquest Debt Recovery S.A (pty) Limited	South Africa	Note 13	100	Dormant	CDRL
AGHL Portugal Investments Holdings, S.A. (AGHLPIH)	Portugal	Note 14	100	Trading	AGIHL
Every Possibilities – Unipessoal LDA (EPUL)	Portugal	Note 14	100	Trading	AGHLPIH
Little Turbilhão SA	Portugal	Note 14	100	Trading	AF3L
Hefesto STC, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Norfin Investimentos, S.A.(NISA)	Portugal	Note 16	100	Trading	AGHLPIH
Norfin – Sociedade Gestora de Organismos de Investimento Coletivo, S.A	Portugal	Note 15	100	Trading	NISA
Norfin – Serviços, S.A	Portugal	Note 16	100	Trading	NISA
Sandalgreen, Assets, S.A.	Portugal	Note 14	100	Trading	AF3L

Notes to the Financial Statements *(continued)*

22. Investments in subsidiaries and associate *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Sucesso Delicado, S.A.	Portugal	Note 14	100	Trading	AGHLPIH
Whitestar Asset Solutions, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Amstelveste Vastgoed B.V.	the Netherlands	Note 17	100	Trading	AGIHB/VFS
Arrow Global Investments Holdings Benelux B.V. (AGIHB)	the Netherlands	Note 17	100	Trading	AGIHL
Focum Groep B.V. (FG)	the Netherlands	Note 17	100	Trading	AGIHB
Focum Solutions B.V.	the Netherlands	Note 17	100	Trading	FG
Fiditon Holding B.V. (FH)	the Netherlands	Note 17	100	Trading	AGIHB
Focum Commerce B.V.	the Netherlands	Note 17	100	Trading	FG
Focum Finance B.V.	the Netherlands	Note 17	100	Trading	FG
Incassobureau Fiditon B.V.	the Netherlands	Note 17	100	Trading	FH
KU88 B.V.	the Netherlands	Note 17	100	Trading	AGBH
Universum Inkasso B.V. (UI)	the Netherlands	Note 17	100	Non-Trading	AGIHB
Vesting Finance Detachering B.V.	the Netherlands	Note 17	100	Trading	VFH
Vesting Finance Holding B.V. (VFH)	the Netherlands	Note 17	100	Trading	AGIHB
Vesting Finance Incasso B.V.	the Netherlands	Note 17	100	Trading	VFH
Vesting Finance Servicing B.V. (VFS)	the Netherlands	Note 17	100	Trading	AGIHB
Arrow Global Benelux (Holdings) B.V. (AGBH)	the Netherlands	Note 17	100	Trading	AGIHB
Spark Hypotheken B.V.	the Netherlands	Note 17	100	Trading	AGBH
Bow Advisers S.á r.l	Luxembourg	Note 18	100	Trading	AGGCML
Bow (Co-invest) Advisers S.á r.l	Luxembourg	Note 18	100	Trading	AGGCML
Bow (SMA)Advisers S.á r.l	Luxembourg	Note 18	100	Trading	AGGCML
Focum Belgium (BVBA)	Belgium	Note 19	100	Trading	AGIHB/FG

Notes to the Financial Statements *(continued)*

22. Investments in subsidiaries and associate *(continued)*

Notes	Registered addresses
Note 1	10th Floor, West One, 114 Wellington Street, Leeds, LS1 1BA
Note 2	Belvedere, 12 Booth Street, Manchester, M2 4AW
Note 3	20 Bentinck Street, London, W1U 2EU
Note 4	One Warrington Place, Dublin, D02 HH27
Note 5	First Floor, Albert House, South Esplanade, St Peter Port, Guernsey
Note 6	27 Esplanade, St Helier, Jersey, JE1 1SG
Note 7	Via V. Betteloni 2, 20131 Milan
Note 8	Via Lanzone 31, 20123 Milan
Note 9	Via Niccolo Tommaseo 68, 35131 – Padova
Note 10	Via Pieve Torina, 44–46/a, 00156 Rome
Note 11	Kryqezimi i Rruges Irfan, Tomini me Bulevardin, Gjergj Fishta – Tirana
Note 12	Al. Jerozolimskie nr 148, 02–326, Warszawa
Note 13	Office Suite 15, Canal Edge 1, Tyger Waterfront, Carl Cronje Drive, Bellville, Western Cape, 7530, South Africa
Note 14	Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, 2770 203 Paço de Arcos, Portugal
Note 15	Avenida Almirante Gago Coutinho, nº. 30, piso 0 1000-017 Lisboa
Note 16	Avenida da República, nº 35, 4º, 1050–186, Lisboa–Portugal
Note 17	Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands
Note 18	6D, route de Treves, L-2633 Senningerberg, Grand Duchy of Luxembourg
Note 19	Koralenhoeve 15, 2160 Wommelgem, Belgium

All subsidiaries are included in the Group consolidation, including where the Group does not own 100% of the ordinary shares of the Company. This may arise where the Group exercises control over the relevant activity of the entity and can use this control to impact the variability of returns from the entity. The Group, at times, must exercise judgement as to whether the combination of control and exposure to variability of returns arising from an entity means it is acting primarily as an agent, or as a principal for its own interests and should therefore consolidate the entity into the results of the Group. The Group went into significant consideration as to whether the Group's acquired stake in Maslow Global Limited and option to purchase the remaining 51% in the future required consolidation or not, and concluded that it should be treated as an investment in associate, see page 60 for more detail. The Group did not consolidate any entity which individually had material non-controlling interest balances, and, as such, no further disclosure on non-controlling interests have been provided in this note.

Financial support given to structured entities

During the period, the Group issued no guarantees to holders of notes issued by structured entities that the Group consolidates.

Company: investment in subsidiaries

	2021 £000
Sherwood Acquisitions Limited	577,675
Sherwood Financing plc	50
Total	**577,725**

The investments in subsidiaries are all stated at cost less accumulated impairment, the latter which is zero.

Notes to the Financial Statements *(continued)*

22. Investments in subsidiaries and associate *(continued)*

Associate

On 31 December 2021, the Group acquired 49% of the share capital of Maslow Global Limited (Maslow). Maslow currently specialises in UK real estate development finance, the acquisition of which enhances the Group's capabilities in this sector of the market and enhances the pivot to a capital-light integrated fund manager. The total consideration for the investment is £36,750,000 including cash of £24,500,000, £12,250,000 of equity instruments via 3,983,740 shares in the parent company Sherwood Topco Limited. In addition, the Group entered into a share option agreement to acquire the remaining 51%. At the date of acquisition, the share option was valued at £25,434,000 and forms part of the consideration.

Maslow's principal place of business and country of incorporation is Guernsey, with a focus on the UK market. As at the period end the Group held 49% of the ownership interest.

The investment in Maslow has been recognised as an investment in associate and has been equity accounted.

The following is summarised financial information for Maslow as at the period end, modified for fair value adjustments on acquisition. No summary of comprehensive income has been presented as the investment occurred at the end of the period.

	2021
	£000
Maslow's summarised financial information	
Current assets	8,633
Non-current assets	11,992
Current liabilities	(1,693)
Net assets	**18,932**
Attributable to investee's shareholders	18,932
Group's interest in investee	
Group's interest in net assets of investee at the period end	9,277
Goodwill	52,907
Carrying amount of interest in investee at the period end	**62,184**

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Notes to the Financial Statements *(continued)*

23. Portfolio investments

Split of portfolio investments by period:

	2021 £000
Expected falling due after 1 year	737,471
Expected falling due within 1 year	311,310
	1,048,781

The movements in portfolio investments were as follows:

As at 31 December 2021	**Amortised cost £000**	**FVTPL £000**	**Real estate inventories £000**	**Total £000**
Balance at 29 March 2021	–	–	–	–
Acquired on acquisition of subsidiary	739,732	262,188	43,391	1,045,311
Portfolios purchased during the period	12,633	59,204	–	71,837
Balance sheet cash collections in the period	(71,819)	(27,380)	(2,206)	(101,405)
Income from portfolio investments at amortised cost	26,929	–	–	26,929
Fair value gain on portfolio investments at FVTPL	–	27,229	–	27,229
Income from portfolio investments – real estate inventories	–	–	379	379
Net impairment losses	(4,058)	–	(850)	(4,908)
Exchange and other movements	1,527	(18,433)	315	(16,591)
As at the period end	**704,944**	**302,808**	**41,029**	**1,048,781**

Note that for real estate inventories, which are not financial instruments, the balance sheet cash collections figure above is analogous to total sales of inventories, and the net of balance sheet cash collections and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

Incorporation of forward-looking information

Note 4 includes a description of how the future cash flows are estimated for the Group's portfolio investments. Additionally, the Group incorporates forward-looking information in the measurement of portfolio investments held at amortised cost. The Group formulates three economic scenarios: a base case, which is the central scenario, developed based on consensus forecasts, and two less likely scenarios – one upside and one downside scenario.

These scenarios are calculated by an external and independent macroeconomic forecasting company and are reviewed internally before being used in the Group's models. To derive these scenarios, multiple sources of information are considered, including economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund, and selected private-sector and academic forecasts.

The Group has identified and documented key drivers of credit risk for its portfolio investments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for portfolio investments are: HPI's and unemployment rates, with all countries using the international labour organisation definition across countries. For exposures to specific regions, the key drivers also include relevant real estate prices.

Notes to the Financial Statements *(continued)*

23. Portfolio investments *(continued)*

Scenario modelling information

To assist with the understanding of how the Group has modelled the future cash flows which ultimately drive the valuation of the portfolio investment assets, the below table shows the probability that has been assigned to each macroeconomic scenario when preparing the cash flow forecasts.

Key sensitivities

The estimated future cash flows generated by portfolio investments are the key estimates/judgements in these financial statements. Flexing the expected future gross cash flows by -1/+1% would impact the closing carrying value of the portfolio investments as at 31 December 2021 by £10,078,000. Note that this sensitivity applies only to 'amortised cost' and 'FVTPL' portfolio investments, as this is not a critical estimate for real estate portfolio assets.

A key input into the estimate of future cash flows is the probability assigned to each of the 'base', 'downside' and 'severe' cases. If 100% probability was assigned to the most optimistic/pessimistic scenario, the impact is shown in the below table, split by geography and asset class. Note that this sensitivity applies only to 'amortised cost' and 'FVTPL' portfolio investments, as this is not a critical estimate for real estate portfolio assets, as these are only assessed for impairment each period, and such an assessment does not necessarily take into account the multiple future economic scenarios.

2021	**Carrying balance**	**Upside variance**	**Downside variance**
Geography	**£000**	**£000**	**£000**
UK and Ireland	381,659	12,396	(13,869)
Portugal	231,922	20,714	(15,422)
Netherlands	162,884	21,979	(15,450)
Italy	272,316	3,796	(2,958)
	1,048,781	**58,885**	**(47,699)**

2021	**Carrying balance**	**Upside variance**	**Downside variance**
Asset class	**£000**	**£000**	**£000**
Secured	357,593	27,042	(19,534)
Unsecured	650,159	32,093	(28,367)
Real estate inventories	41,029	N/a	N/a
	1,048,781	**59,135**	**(47,901)**

Notes to the Financial Statements (continued)

24. Risks arising from financial instruments

Risk management

Credit risk

One of the Group's principal activities is the acquisition and management of non-performing and non-core consumer and commercial unsecured, secured and real estate portfolios. Most portfolios by their nature are impaired at acquisition and the Group continually monitors balance sheet cash collections that in turn inform the ERCs on which the portfolio carrying value is calculated. The ongoing risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information of debt types, also factoring in sale recoveries from collateral held on the secured portfolios. Further details of the forecasting process are given in note 4.i.

An investment process is in place to approve investments on the Arrow balance sheet and in respect of Arrow's participation in fund investments through its separately managed account. The Group also monitors its exposure to geographic concentration of assets. This process exists to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Where portfolio investments are measured at amortised cost using the EIR method, as part of the regular monitoring process, the future cash flows in the ERCs are updated, with impairment gains/losses as a result of changes to the estimated cash flows discounted at the EIR rate. Where portfolio investments are measured at FVTPL, they are measured using a discounted cash flow model.

The Group's management of credit risk is further enhanced through the modelling of multiple economic scenarios and the impact this is expected to have on future balance sheet cash collections performance. All of the Group's portfolio investments have been classified as POCI, due to their credit-impaired nature at the date of purchase. Therefore, no consideration has been given to the staging requirements of IFRS 9 for the Group's portfolio assets.

Given the nature of the portfolios the Group purchases, most arrangements entered into with our customers are of a non-contractual nature, where we work to establish, or re-establish, suitable payment plans that are affordable and sustainable.

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day-to-day working capital is funded by its cash and cash equivalents.

Credit quality analysis

The Group's purchased portfolio investments have been classified as purchased or originated as credit impaired (POCI) as they include financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses (ECL) against POCI exposures are always calculated on a lifetime basis (cumulative changes in ECL since initial recognition), and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, any changes in lifetime ECL after initial recognition are recognised in profit or loss. The ECL calculation for POCI assets is based on an ECL over 84-months.

In determining ECLs, the assessment of forward-looking economic assumptions, which are sourced from an independent specialist forecasting company, the Group considers a number of macroeconomic scenarios, including assumptions on unemployment and HPI. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, as well as upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgement and is subject to appropriate internal governance.

Impairment gains/losses are changes to carrying values, discounted at the EIR rate, of the acquired debt portfolios as a result of reassessments of their estimated future cash flows and are recognised in the line item 'impairment gains on portfolio investments at amortised cost'. There are generally no credit risk mitigants relating to the Group's unsecured portfolio investments.

Notes to the Financial Statements (continued)

24. Risks arising from financial instruments *(continued)*

As all of the Group's amortised cost portfolio assets are POCI, the cash flows are subject to reassessment each period. For any portfolios that may be sold to a third party from time to time, these are first subject to a cash flow reassessment. Expected cash flows in such a scenario would be linked to the likely sale proceeds, meaning that all such assets would be written to their expected selling price via an impairment gain/loss, before being sold.

The following tables sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated the amounts in the table represent gross carrying amounts.

As at 31 December 2021	Stage 1-3	POCI	Total
	£000	£000	£000
Portfolio investments – amortised cost	–	704,944	704,944
Loss allowance	–	N/a	N/a
Carrying amount	**–**	**704,944**	**704,944**

The following table sets out a geographical analysis of all portfolio investments:

All portfolio balances	2021 £000
UK and Ireland	381,659
Portugal	231,922
Netherlands	162,884
Italy	272,316
	1,048,781

The following tables sets out further credit analysis for portfolio investments measured at amortised cost:

As at 31 December 2021

Amortised cost portfolio balances	Secured £000	Unsecured £000	Total £000
UK and Ireland	34,878	286,457	321,335
Netherlands	42,359	125,560	167,919
Portugal	1,292	42,071	43,363
Italy	46,526	125,801	172,327
Carrying amount	**125,055**	**579,889**	**704,944**

Portfolio balances are based on the customer's country of domicile

The Group's maximum exposure to credit risk on portfolio investments is considered equal to the current carrying balance of such portfolio investments.

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

Information on collateral held against amortised cost secured loans

The following table stratifies credit exposures from secured portfolio investments held at amortised cost by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral is based on the most recent appraisals. LTV stratification is deemed a more relevant measure of the value of collateral held against secured loans than gross collateral values held, which may include an amount which is not due to the Group upon realisation.

LTV Ratio	2021 £000
Less than 50%	36,171
51-70%	9,877
71-90%	10,889
91-100%	3,256
More than 100%	64,862
	125,055

Other types of credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

Assets obtained by taking possession of collateral

There have been no instances of financial or non-financial assets, obtained by the Group during the period, by taking possession of collateral held as security against portfolio investments.

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operation.

Significant increase in credit risk

There are no significant increases or decreases in credit risk since origination as all portfolio investments have been deemed to be purchased or originated credit impaired on initial recognition.

Cash and cash equivalents

As part of credit risk, the Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency and derivative financial instruments. Counterparty risk with debt sellers is managed through contractual arrangements and warranties.

The Group generally deposits cash and undertakes currency and derivative transactions with highly rated banks, with limits on the level of exposure to any one institution. Institutions with lower credit ratings can only be used with board approval.

No collateral or credit enhancements are held in respect of any financial derivatives. The maximum credit risk on derivatives and trade receivables is the full carrying amount. The maximum exposure to counterparty risk is as follows:

	2021 £000
Cash and cash equivalents[1]	202,263

[1] Includes £3,352,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £198,911,000 of cash and cash equivalents in the consolidated statement of financial position.

The table represents a worst-case scenario of the counterparty risk that the Group is exposed to. The 31 December 2021 balance is spread across a number of counterparties with the top five accounting for 61% of the total. The maximum exposure to one counterparty is £71 million.

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

The cash and cash equivalents are held with banks and financial institution counterparties whose external credit ratings, by either S&P Global Ratings or Moody's Investor Service, are as follows:

	2021
	%
AA	4
A	62
Below A	34
Total cash and cash equivalents	**100**

Treasury-related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risks are managed within set limits. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's business operations. No transactions of a speculative nature are undertaken, and written options may only be used when matched by purchased options. No treasury-related written options were entered into during 2021.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The treasury policy adopted by the Group serves to reduce this risk by setting a specific policy parameter that there are sufficient committed debt facilities and cash and cash equivalents to meet contractual maturities on borrowing facilities plus an operational headroom. In addition, the Group has a medium-term target to maintain leverage of circa 3 times, there is an appropriate refinancing profile and it has diversified funding sources with no over-reliance on a single or small group of lenders or type of funding. At 31 December 2021, the Group's senior secured notes, revolving credit facility and asset-backed security transaction had an average period to maturity of 5.0 years. Total cash and undrawn facilities, which excludes cash that may be subject to constraints regarding when the balance can be remitted, were £304.3 million at 31 December 2021.

The treasury function monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well-established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group is highly cash generative with regular cash receipts and portfolio purchases (except forward flows) are discretionary, which helps to mitigate liquidity risk.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

The key measure used by the Group for managing liquidity risk is liquidity headroom, which includes cash and cash equivalents and the headroom under the revolving credit facility. Liquidity headroom excludes cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. Details of the liquidity headroom as at the reporting date and during the reporting period were as follows:

	2021[1] **£000**
At 31 December	304,335
Average for the period	204,723
Minimum for the period	148,813
Maximum for the period	333,657

[1] *Reflects the annualised position for the Arrow business, including results prior to acquisition*

Maturity analysis

The table below sets out the remaining contractual maturities (undiscounted) of the Group's financial liabilities and financial assets and includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

Group **As at 31 December 2021**	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	13,434	107,413	56,426	40,072	6,865	**224,210**
Lease liabilities	–	2,193	5,781	–	–	**7,974**
£350 million secured senior note (6%)	485	20,515	21,000	413,000	–	**455,000**
€640 million secured senior note (4.625% plus 3-month Euribor)	556	24,419	28,297	88,532	566,636	**708,440**
€400 million secured senior note (4.5%)	557	14,554	15,111	381,133	–	**411,355**
Revolving credit facility[1]	537	6,574	8,159	189,377	–	**204,647**
Asset-backed securitisation	1,188	44,196	11,720	–	–	**57,104**
Other borrowings	–	1,072	1,133	36	–	**2,241**
Bank overdrafts	9,630	–	–	–	–	**9,630**
Total financial liabilities	**26,387**	**220,936**	**147,627**	**1,112,150**	**573,501**	**2,080,601**
Financial asset by type:						
Cash and cash equivalents[2]	202,263	–	–	–	–	**202,263**
Portfolio investments	32,687	292,327	278,490	681,908	182,524	**1,467,936**
Total financial assets	**234,950**	**292,327**	**278,490**	**681,908**	**182,524**	**1,670,199**

[1] *Reflects all drawings at 31 December 2021 being held to the facility maturity date of April 2026.*

[2] *Includes £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position.*

The above table includes a maturity analysis for financial assets that it holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities – to enable the user to evaluate the nature and extent of the Group's and the Company's liquidity risk.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents which can be readily used to meet liquidity requirements. In addition, the Group maintains a committed revolving credit facility provided by a syndicate of banks.

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

The non-derivative financial liabilities and financial assets are calculated based upon the undiscounted cash flows, which include estimated interest payments. The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position date.

Company **As at 31 December 2021**	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	55	–	–	–	–	**55**
Total financial liabilities	**55**	**–**	**–**	**–**	**–**	**55**

In addition to the above, the Group has entered into certain forward flow agreements to purchase investment portfolio assets to which it has committed to pay an estimated £18,000,000 during 2022.

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities:

	2021	
	Outflow £000	**Inflow £000**
Not later than one month	–	–
Later than one month and not later than six months	–	–
Later than six months and not later than one year	2,614	2,503
Later than one year and not later than two years	–	–
Later than two years and not later than five years	–	–
Total	**2,614**	**2,503**

The above table shows the gross contractual undiscounted cash flows receivable and payable on the derivative financial instruments.

The net cash flow exposure as at 31 December 2021 is £111,000.

Financial assets pledged as collateral

See note 27 for more information.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk and are considered further below. Note that the Group does not hold any trading portfolios for the purposes of these disclosures.

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates on its borrowings, principally on the floating rate senior secured notes, and therefore seeks to limit this exposure. This is achieved by the use of techniques to fix interest rate costs, including fixed-rate funding (predominantly longer-term bond funding), bank borrowing loan draw down periods and interest rate hedging instruments. These techniques are used to hedge the interest rate costs on a proportion of borrowings over a certain period of time. Most hedging is for up to three years.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2021 £000
Fixed-rate instruments	
Financial liabilities	685,800
	685,800
Variable-rate instruments	
Financial assets[1]	(202,263)
Financial liabilities	773,866
	571,603

[1] Includes £3,352,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £198,911,000 of cash and cash equivalents in the consolidated statement of financial position.

If interest rates across all countries of operation increased by 50 basis points this would have the following impact:

	2021 £000
Reduction in profit before taxation	(548)

This sensitivity analysis is based on the following assumptions:

- the change in market interest rates occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rates affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk: cash flow exposure, net asset exposure and income statement exposure.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are highly likely to arise in the following 12 months. Where cash flow hedges have been entered into, they are designated as cash flow hedges on specific future transactions.

Net asset exposure

A proportion of the Group's net assets are denominated in Euro. The Group limits its exposure to currency risk on non-functional funding through forward currency contracts. The statement of financial position is reported in Sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Group. The Group aims to minimise, to an acceptable level of appetite, the value of net assets denominated in Euro by funding portfolio assets with Euro denominated borrowings where possible.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*
24. Risks arising from financial instruments *(continued)*

Income statement exposure

As with net assets, a proportion of the Group's profit is denominated in Euro but translated into Sterling for reporting purposes. The result for the period is translated into Sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rate relative to the Euro will have an impact on the consolidated result for the period. This risk is managed by the Group matching Euro asset purchases with Euro funding wherever possible, to achieve an element of natural hedging.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% stronger than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase as follows:

	2021
Equity and net assets	**£000**
Currency	
Euro (EUR)	(37,413)
	(37,413)
Net profit	
Currency	
Euro (EUR)	887
	887

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

If foreign exchange rates had been 10% weaker than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase as follows:

	2021
Equity and net assets	**£000**
Currency	
Euro (EUR)	30,610
	30,610
Net Profit	
Currency	
Euro (EUR)	(726)
	(726)

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is currently not required to hold regulatory capital but has a medium-term target to maintain leverage (calculated as secured net debt over Adjusted EBITDA) of circa 3.0.

The Group aims to maintain appropriate capital to ensure that it has a strong statement of financial position but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance.

The capital structure of the Group consists of cash, cash equivalents debt and equity.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

Management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at 31 December 2021 was:

	2021 £000
Ordinary share capital and premium	577,672
Other reserves	(70,720)
Total equity and reserves	**506,952**

25. Financial assets and liabilities

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below. The Group does not apply 'offsetting' to any of its financial assets and liabilities.

As at 31 December 2021	**Mandatorily at FVTPL**	**Amortised cost**	**Total carrying amount**	**Total fair value**
	£000	**£000**	**£000**	**£000**
Portfolio investments	302,808	704,944	1,007,752	1,006,042
Cash and cash equivalents[1]	–	202,263	202,263	202,263
Other receivables classified as financial assets	–	47,458	47,458	47,458
Total financial assets	**302,808**	**954,665**	**1,257,473**	**1,255,763**

[1] Includes £3,352,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £198,911,000 of cash and cash equivalents in the consolidated statement of financial position.

As at 31 December 2021	**Mandatorily at FVTPL**	**Amortised cost**	**Total carrying amount**	**Total fair value**
	£000	**£000**	**£000**	**£000**
Senior secured notes	–	1,211,416	1,211,416	1,226,970
Revolving credit facility	–	167,373	167,373	167,373
Asset-backed loans	–	55,158	55,158	55,158
Bank overdrafts[1]	–	9,559	9,559	9,559
Other borrowings	–	2,241	2,241	2,241
Derivative liability	25,607	–	25,607	25,607
Trade and other payables classified as financial liabilities	495	111,273	111,768	111,768
Total financial liabilities	**26,102**	**1,557,020**	**1,583,122**	**1,598,676**

[1] Includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts in the consolidated statement of financial position.

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For instruments that trade infrequently and have little price transparency, fair value is less objective, and required judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

25. Financial assets and liabilities *(continued)*

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted market prices within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

Application to the Group's financial assets and liabilities

The fair value of amortised cost portfolio investments has been calculated by observing the compression in market yields over time and applying the difference between current average market IRRs for the Group's most recent vintage, and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio. As this calculation is based on unobservable inputs, these fair values would be categorised as level 3 values. The primary unobservable input to which this valuation is sensitive to is the current market rates for portfolios. A 1% rise/fall in this rate would lead to a reduction/uplift in fair value of £(10,583,000)/£10,972,000.

The fair value of cash and cash equivalents and the revolving credit facility are deemed to be equal to their carrying amount.

The carrying value of other receivables and payables classified as financial assets/liabilities is deemed to be a good approximation of their fair value, due to their short maturity and low credit risk. These would be considered as level 3 fair values.

The carrying value of asset-backed loans is deemed to be a good approximation of their fair value. Given the significant collateral underpinning the asset-backed loans, it is deemed appropriate to not adjust the carrying value for expected credit losses when deriving the fair value of the loans. Additionally, the market rate is not deemed to have materially changed since the issuance of the asset-backed loans. The fair value would be categorised as a level 3 value.

The fair value of the senior secured notes has been calculated by reference to broker quotes that are based on observable market inputs and therefore would be included as level 2 in the fair value hierarchy table should the liability have been held at fair value.

Derivative financial instruments are held at fair value, which is equal to the discounted expected future cash flows arising as a result of the derivative transaction. For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

Notes to the Financial Statements *(continued)*

25. Financial assets and liabilities *(continued)*

Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	2021
Level 3	**£000**
Assets:	
Portfolio investments	302,808
Liabilities:	
Contingent consideration	(495)
Derivative liabilities	(25,607)
	276,706

There are no assets or liabilities classed as Level 2. There have been no transfers between level 2 or level 3.

The fair value of derivative financial instruments used for risk management purposes has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December 2021.

The fair value of derivative financial instruments relating to the Maslow acquisition share option has been calculated using a binomial lattice model.

Total gains on portfolio investments recognised at FVTPL have been presented in the income statement as 'Fair value gains on portfolio investments at FVTPL'. The fair value of portfolio investments recognised as FVTPL has been calculated by using a discounted cash flow model. The significant unobservable inputs used in the calculation of portfolio investments categorised as level 3 in the fair value hierarchy are estimated future cash flows (ERCs) derived from management forecasts and the discount rate appropriate to the investment and the anticipated rate of return.

The total 84-month ERC value for the Group's portfolio investments held at FVTPL is £407,494,000, with an average discount rate of 15.1%. An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at FVTPL of £3,028,000/(£3,028,000). An increase/decrease in the discount rate of 1% would lead to a decrease/increase in the carrying value of portfolio investments held at FVTPL of (£5,474,000)/£5,674,000.

The total ERC value for the Group's portfolio investments held at amortised cost is £1,018,938,000, with an average discount rate of 21.7%. An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at amortised costs of £7,049,000/(£7,049,000). An increase/decrease in the discount rate of 1% would lead to a decrease/increase in the carrying value of portfolio investments held at amortised of (£10,583,000)/£10,972,000. A full reconciliation between the opening and closing portfolio investments held at FVTPL has been provided in note 23. For a fuller description of how the future cash flows are estimated, please refer to note 4.

Notes to the Financial Statements *(continued)*

25. Financial assets and liabilities *(continued)*

Reconciliation of level 3 fair values – contingent consideration

Contingent consideration – level 3	**2021 £000**
As at 29 March 2021 (incorporation)	–
Acquired on acquisition of subsidiary	491
Unwind of discounting	4
As at the period end	495

Contingent consideration has arisen as a result of business combinations in prior periods of Arrow Global Group Limited and its subsidiaries. The outstanding balance of £495,000 relates to the acquisition of Drydens and has a minimum/maximum pay-out of £nil/£500,000.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments, receipts and exposure to currency rate fluctuations. The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2021 is £2,614,000. The fair value as at 31 December 2021 £105,000.

Financial instruments not measured at fair value – fair value hierarchy

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Level 3	**2021 £000**
Assets:	
Portfolio investments – amortised cost	**704,944**

There have been no transfers in or out of level 3. However, it has been determined that deferred consideration liabilities qualify as level 3 financial liabilities held at amortised cost. The statement of financial position value of the Group's portfolio investments not measured at fair value, is derived from discounted cash flows generated by an internal model. For a fuller description of how the future cash flows are estimated, please refer to note 4. Following acquisition, the fair value will move directionally in line with carrying amount but may deviate as market conditions change.

The Group has an established control framework covering the measurement of portfolio investment carrying values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a semi-annual basis, reviews actual against forecast gross money multiple, approves the latest ERC forecast, assesses the carrying value of the portfolio assets and reviews revenue recognition. A reconciliation of the opening to closing balances for the period of the portfolio investments can be seen in note 23.

The Company did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated.

Notes to the Financial Statements *(continued)*

26. Unconsolidated structured entities

Unconsolidated structured entities are all structured entities that the Group has an interest in, but does not control. The Group uses structured entities in the normal course of business to facilitate acquisitions of portfolios in accordance with local law, to allow co-investment with other parties, or to implement the financing required to acquire portfolios.

In addition to exposures to unconsolidated structured entities, the Group also undertakes Asset Management and Servicing activities for certain structured entities in which the Group has no other interests. Such activities are charged at a market rates, on terms normal for the industry, and are considered to be a typical customer/supplier relationship per the meaning of this term set out in 'IFRS 12 – Disclosure of Interests in Other Entities'.

Nature and risks associated with Group interests in unconsolidated structured entities:

Geography of operations

As at 31 December 2021	**UK and Ireland**	**Portugal**	**Italy**	**Netherlands**
Underlying asset type				
Loan receivables	10	6	3	5
Real estate	–	2	–	–
Number of entities	**10**	**8**	**3**	**5**

As at 31 December 2021	**UK and Ireland**	**Portugal**	**Italy**	**Netherlands**
Portfolio investments	**£000**	**£000**	**£000**	**£000**
FVTPL	45,309	47,837	69,308	117,967
Amortised cost	–	–	–	–
Total assets	**45,309**	**47,837**	**69,308**	**117,967**
Total liabilities	**–**	**–**	**–**	**–**

The maximum exposure to loss is the carrying value of the instruments summarised above, due to the nature of the Group's holdings at the fact that no additional support has been provided or committed to the vehicles.

Unconsolidated structured entities in which the Group holds an interest are typically financed by a form of junior profit participation note, and in some instances also have senior secured or senior unsecured liabilities to which the junior positions are subordinated.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

27. Borrowings

	2021
	£000
Senior secured notes net of transaction fees of £20,538,000	1,211,416
Revolving credit facility net of transaction fees of £4,042,000	167,373
Asset-backed loans net of transaction fees of £636,000	55,158
Bank overdrafts[1]	9,559
Other borrowings	2,241
Total borrowing including held for sale	**1,445,747**
Bank overdraft moved to liabilities held for sale	71
Total borrowings excluding held for sale	**1,445,818**
Total borrowings including held for sale	
Amount due for settlement within 12 months	220,813
Amount due for settlement after 12 months	1,224,934

[1] Bank overdraft includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts on the consolidated statement of financial position. See note 29 for more information.

Senior secured notes

On 27 October 2021, Group successfully priced €400 million 4.5% Euro fixed rated bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026, with the proceeds being used to prepay all the outstanding bonds at that time and certain drawings under the revolving credit facility. The bonds were issued by Sherwood Financing plc and the floating rate notes are subject to a zero percent EURIBOR floor. The bonds are secured on the majority of the Group's assets.

Revolving credit facility

On 6 October 2021, the Group entered into a new £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The margin is subject to a ratchet downwards based upon decreasing leverage levels. The facility ranks senior secured and therefore has a similar security package to the cancelled facility. Under the terms of an intercreditor agreement, the facility ranks super senior to the bonds as any obligations under the facility will be settled in advance of any obligations under the bonds.

The facility has one financial covenant, being a leverage test. On 11 October 2021, the revolving credit facility in place at the time, also for £285 million, was cancelled and this facility had three financial covenants, being leverage, liquidity and SSLTV tests.

Asset-backed securitisation

Prior to the acquisition by TDR, the Arrow Global Group Limited (AGG) Group entered into two non-recourse committed asset-backed securitisation term loans.

The first loan was initially established in April 2019 and is secured on UK unsecured assets, pays LIBOR plus 3.1%. The amount outstanding as at 31 December 2021 is £38.2 million.

The asset-backed facility was initially established for £100 million in April 2019 with £137 million of ERC being sold to a wholly owned subsidiary, AGL Fleetwood Limited, and further ERC has been sold to AGL Fleetwood Limited at various times since the initial set up allowing further borrowings to be drawn.

Since 1 January 2020, there has been one such drawing. On 31 March 2020, the AGG Group sold £30 million of ERC into AGL Fleetwood Limited and on 2 April 2020 borrowed an additional £21 million non-recourse funding on the same terms under the facility.

Notes to the Financial Statements *(continued)*

27. Borrowings *(continued)*

During July 2020, the AGG Group entered into further arrangements in connection with the non-recourse facility to mitigate potential balance sheet cash collections impacts of COVID-19. An additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made. In consideration of the additional ERC pledged, the lender agreed to amend certain performance criteria.

Since January 2022, the loan has been amended to reflect the transition from LIBOR to SONIA.

During July 2020, the AGG Group entered into a second non-recourse fully drawn amortising loan of €104.7 million. This loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%. The outstanding amount of the loan as at 31 December 2021 was €17.4 million. The loan was fully repaid in January 2022.

As at 31 December 2021, £262.6 million of the portfolio investments, set out in note 23, are pledged as collateral for the asset-backed securitisations.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Senior secured notes £000	Asset-backed loans £000	Revolving credit facility £000	Lease liabilities £000	Deferred and contingent consideration £000	Other borrowings £000	Total £000
		£000	£000	£000	£000	£000	£000
Balance at 29 March 2021 (incorporation)	–	–	–	–	–	–	–
Acquired on acquisition of subsidiary	**976,436**	**74,795**	**232,179**	**17,217**	**23,517**	**4,165**	**1,328,309**
Movement in other banking facilities	–	–	(327,623)	–	–	7,918	(319,705)
Net proceeds from revolving credit facility	–	–	263,162	–	–	–	263,162
Proceeds from issued notes (net of fees)	1,226,705	–	–	–	–	–	1,226,705
Redemption of issued notes	(959,084)	–	–	–	–	–	(959,084)
Early bond repayment costs	(17,035)	–	–	–	–	–	(17,035)
Repayment of asset-backed loans	–	(19,408)	–	–	–	–	(19,408)
Repayment of interest on issued notes	(4,750)	–	–	–	–	–	(4,750)
Repayment of interest on asset-backed loans	–	(658)	–	–	–	–	(658)
Payments on lease liabilities	–	–	–	(1,191)	–	–	(1,191)
Banking facility interest and other fees paid	–	–	–	–	–	(350)	(350)
Payment of deferred interest	–	–	–	–	(1,419)	–	(1,419)
Total changes from financing cash flows	**245,836**	**(20,066)**	**(64,461)**	**(1,191)**	**(1,419)**	**7,568**	**166,267**
Liability-related							
Interest expense on issued notes	11,824	488	–	–	–	–	12,312
Amortisation of capitalised transaction fees	708	803	202	-	-	25	1,738
Banking facility interest and other fees	–	–	1,541	–	–	(9)	1,532
Other interest including on finance leases	–	–	–	202	63	564	829
Refinancing	17,916	–	5,031	–	–	(62)	22,885
Total interest and similar charges	**30,448**	**1,291**	**6,774**	**202**	**63**	**518**	**39,296**
The effect of changes in foreign exchange rates	(30,953)	(989)	(1,069)	(21)	(87)	(503)	(33,622)
Capitalised transaction fees	–	–	(4,275)	–	–	61	(4,214)
Net deferred consideration commitments	–	–	–	–	7,283	–	7,283
Issue of share option derivative	–	–	–	–	–	25,434	25,434
Other changes	(10,351)	127	(1,775)	2,087	–	164	(9,748)
Total liability-related changes	**(41,304)**	**(862)**	**(7,119)**	**2,066**	**7,196**	**25,156**	**(14,867)**
Balance at 31 December 2021	**1,211,416**	**55,158**	**167,373**	**18,294**	**29,357**	**37,407**	**1,519,005**

Notes to the Financial Statements *(continued)*

27. Borrowings *(continued)*

Other borrowings

	2021
	£000
Other borrowings	2,241
Bank overdrafts[1]	9,559
Derivative liability	25,607
	37,407

[1] Bank overdraft includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts on the consolidated statement of financial position

28. Acquisition of subsidiary undertaking

a. Arrow Global Group plc (Arrow)

On 11 October 2021, the Group acquired 100% of the share capital of Arrow Global Group plc (now Arrow Global Group Limited). Arrow is a leading European integrated asset manager in the non-performing and non-core assets sector. The total consideration for the acquisition is £565,423,000, consisting of £512,951,000 cash and £52,472,000 of equity instruments, via 17,063,972 shares in the parent company Sherwood Topco Limited. The fair value of the Sherwood Topco Limited shares was based on the cash offer price of 307.5p per share, effected by the Scheme of Arrangement for the acquisition.

In the period from acquisition to 31 December 2021, Arrow contributed income of £64,868,000 and loss after tax contribution of £106,696,000 to the consolidated results for the period. If the acquisition had occurred on 29 March 2021, Group total income would have been higher by an estimated £174,691,000 and loss after tax would have been higher by an estimated £22,992,000, including £44,544,000 relating to the costs of acquisition incurred by Arrow Global Group plc prior to the acquisition. The underlying loss after tax (not including such acquisition costs) for the period 29 March 2021 to 31 December was an estimated £18,926,000.

Acquisition related costs

The Group incurred acquisition-related costs of £39,356,000 on advisory fees and execution costs. These costs have been included in other operating expenses.

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

	Note	Book value 11 October 2021	Fair value adjustments 11 October 2021	Fair value 11 October 2021
		£000	£000	£000
Cash and cash equivalents		125,021	–	125,021
Trade and other receivables		59,033	–	59,033
Portfolio investments		1,039,945	5,366	1,045,311
Property, plant and equipment		16,658	1,556	18,214
Intangible assets		38,502	101,821	140,323
Deferred tax asset	11	38,411	(20,279)	18,132
Goodwill		270,027	(270,027)	–
Bank overdrafts		(1,739)	–	(1,739)
Revolving credit facility		(229,930)	(2,249)	(232,179)
Derivative liability		(58)	–	(58)
Trade and other payables		(186,524)	(10,855)	(197,379)
Current tax asset		(2,180)	2,300	120
Other borrowings		(2,368)	–	(2,368)
Asset-backed loans		(74,795)	–	(74,795)
Senior secured notes		(966,764)	(9,672)	(976,436)
Deferred tax liability	11	(18,694)	(21,699)	(40,393)
Total identifiable net assets		**104,545**	**(223,738)**	**(119,193)**
Goodwill on acquisition				688,063
				568,870
Non-controlling interest				**(3,477)**
				565,423
Consideration:				
Cash consideration				512,951
Shares in Sherwood Topco Limited				52,472
				565,423

Cash impact of acquisition in the period:	**£000**
Cash consideration	512,951
Cash and cash equivalents acquired	(125,021)
	387,930

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired under IFRS 13 were as follows.

Portfolio investments	*Market comparison technique and income approach* The valuation model considers market valuations for portfolios where available, and an income approach for the remainder in the form of a discounted cash flow analysis.
Intangible assets – customer intangibles	*Multi-period excess earnings method* The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Intangible assets - software	*Cost approach* The cost approach used is the depreciated replacement cost, reflecting adjustments for functional and economic obsolescence.

Newly identified customer intangible assets of £104,099,000 have been recognised at acquisition.

Other adjustments were made to the acquisition balance sheet of Arrow following post-acquisition events that provided additional information as to the fair value as at acquisition. This includes adjustments to the value of debt obligations redeemed shortly after acquisition and adjustment to assets and liabilities of Whitestar Italy following market offers for the business.

Lease assets and liabilities and deferred tax balances have been remeasured at the acquisition date under IFRS 16 and IAS 12 respectively.

Fair values measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill from the acquisition has been recognised as follows:

	£000
Consideration transferred	565,423
Non-controlling interest	3,447
Fair value of identifiable net liabilities	119,193
	688,063

Notes to the Financial Statements *(continued)*

29. Disposal group held for sale

During the second half of 2021, Arrow Global committed to a plan to dispose of the business operations of Whitestar Italia S.r.l. (Whitestar Italy). Whitestar Italy is part of the AMS segment, seen in note 5. Accordingly, the relevant assets and liabilities are presented as a disposal group held for sale. The sale is expected to complete in the first quarter of 2022.

Impairment losses relating to the disposal group

Impairment losses of £1,107,000 have been recognised in other operating expenses, in addition to an acquisition impairment of £817,000 in the opening balance sheet. The impairment losses have been applied to reduce the carrying amount of property, plant and equipment and other intangible assets to nil within the disposal group as well as recognising further liabilities for expected selling costs.

Assets and liabilities of disposal group held for sale

	Note	£000
Cash and cash equivalents		3,352
Trade and other receivables	**15**	1,546
Deferred tax asset	**11**	757
Assets held for sale		**5,655**
Trade and other payables	**16**	(6,652)
Bank overdraft	**27**	71
Current tax liability		926
Liabilities held for sale		**(5,655)**

Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in the OCI relating to the disposal group.

Notes to the Financial Statements *(continued)*

30. Notes to the statement of cash flows

	Group 2021 £000	Company 2021 £000
Loss after tax	(71,649)	(2)
Adjusted for:		
Balance sheet cash collections in the period	101,405	–
Income from portfolio investments	(27,308)	–
Fair value gains on portfolios	(27,229)	–
Net impairment losses	4,908	–
Depreciation and amortisation	6,855	–
Loss on write-off and disposal of property, plant and equipment	741	–
Loss on write-off and disposal of intangible assets	6,905	–
Net interest payable	39,094	–
Lease liability interest	202	–
Foreign exchange gains	(2,166)	–
Tax charge	4,023	–
Operating cash flows before movement in working capital	**35,781**	**(2)**
Decrease in other receivables	4,355	–
Decrease in amounts due to/from subsidiary undertakings	–	-
Decrease in trade and other payables	(19,969)	–
Cash generated by operations	**20,167**	**(2)**
Income taxes and overseas taxation paid	(5,126)	–
Net cash flow from operating activities before purchases of portfolio investments	**15,041**	**(2)**
Purchase of portfolio investments	(71,837)	–
Net cash generated by operating activities	**(56,796)**	**(2)**

31. Parent Undertaking

The immediate parent company is Sherwood Midco Limited. The ultimate parent company is TDR Nominees 2016 Limited, which is incorporated in England and Wales.

32. Post balance sheet events

Since the period end, we have seen the development concerning the Ukrainian crisis and related international sanctions. At present, it is not possible to assess the detailed impact of the emerging risk but there is growing concern about the impact on the European economy and the financial markets. There has been a significant correction in the financial markets in the last few weeks. The Group continue to monitor events and are keeping the board updated on the economic impact, if any, to the Group.

The Group agreed the sale of subsidiaries Whitestar Italia S.r.l, New Call S.r.l and PARR S.H.P.K (together “Whitestar Italy”) on 11 March 2022. The disposal concerned business process outsourcing of Italian utility collections, which is considered non-core to the Group’s operations. The secured and unsecured investment portfolios and their collections activity previously undertaken by Whitestar Italy were moved to other Arrow subsidiaries pre-disposal.

Arrow Global Group Limited
(formerly Arrow Global Group plc)

Consolidated financial statements for the year ended 31 December 2021

Independent auditor's report to the members of Arrow Global Group Limited

Opinion

We have audited the financial statements of Arrow Global Group Limited ("the Company") for the year ended 31 December 2021 which comprise the consolidated statement of profit or loss and other comprehensive income, consolidated and Parent statement of financial position, consolidated and Parent statement of changes in equity, consolidated and Parent statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes and attending audit committee meetings;

Independent auditor's report to the members of Arrow Global Group Limited *(continued)*

- Considering remuneration incentive schemes and performance targets for management; and.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates and judgements such as revenue from portfolio investments.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by posted by members of the Executive Committee or Board, those posted by unauthorized individuals, those posted to unusual or seldom accounts, those containing key words, those entries which have value of zero or are unbalanced and those posted by individuals who rarely do during ordinary course of business,
- Evaluated the business purpose of significant unusual transactions, and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor's report to the members of Arrow Global Group Limited *(continued)*

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection laws, anti-bribery, consumer protection and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor’s report to the members of Arrow Global Group Limited *(continued)*

Directors’ responsibilities

As explained more fully in their statement set out on page17, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Simon Ryder (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

18 March 2022

Consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2021

		2021	2020
Continuing operations	**Note**	**£000**	**£000**
Income from portfolio investments at amortised cost	**23**	134,101	164,597
Fair value gains on portfolio investments at FVTPL	**23**	62,451	4,976
Impairment gains/(losses) on portfolio investments at amortised cost	**23**	2,709	(100,436)
Income from real estate inventories	**23**	1,963	492
Total income from portfolio investments		**201,224**	**69,629**
Income from asset management and servicing and fund and investment management	**5**	116,477	97,026
Gain on disposal of leases		–	453
Other income		98	384
Total income		**317,799**	**167,492**
Operating expenses:			
Collection activity and fund management costs	**10**	(137,169)	(130,572)
Other operating expenses	**10**	(185,113)	(94,248)
Total operating expenses		**(322,282)**	**(224,820)**
Operating loss		**(4,483)**	**(57,328)**
Finance income	**7**	22	61
Finance costs	**8**	(96,478)	(57,556)
Loss before tax		**(100,939)**	**(114,823)**
Taxation (charge)/credit on ordinary activities	**11**	(22,712)	21,206
Loss for the year		**(123,651)**	**(93,617)**
Other comprehensive (loss)/income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference arising on revaluation of foreign operations		(10,157)	6,741
Movement on hedging reserve		63	356
Total comprehensive loss		(133,745)	(86,520)
(Loss)/profit after tax attributable to:			
Owners of the Company		(123,805)	(92,829)
Non-controlling interest		154	(788)
		(123,651)	(93,617)
Comprehensive (loss)/ income attributable to:			
Owners of the Company		(133,899)	(85,732)
Non-controlling interest		154	(788)
		(133,745)	(86,520)

The parent company’s loss after tax for the year was £10,199,000 (2020: £8,330,000).

Consolidated and parent statement of financial position at 31 December 2021

		Group 2021	Group 2020	Parent 2021	Parent 2020
Assets	**Note**	**£000**	**£000**	**£000**	**£000**
Cash and cash equivalents		193,932	182,892	16	49
Trade and other receivables	**15**	93,753	71,372	251,960	224,924
Portfolio investments – amortised cost	**23**	682,687	793,554	–	–
Portfolio investments – FVTPL	**23**	302,808	187,421	–	–
Portfolio investments – real estate inventories	**23**	44,464	61,240	–	–
Property, plant and equipment	**14**	13,707	17,612	–	–
Current tax asset		–	–	313	–
Intangible assets	**13**	28,722	38,709	–	–
Deferred tax asset	**11**	3,212	31,782	–	–
Investment in subsidiary undertakings	**22**	–	–	321,150	308,200
Investment in associate	**22**	62,184	–	–	–
Goodwill	**12**	265,237	278,338	–	–
Asset held for sale	**29**	5,655	–	–	–
Total assets		**1,696,361**	**1,662,920**	**573,439**	**533,173**
Liabilities					
Bank overdrafts	**28**	9,630	3,648	–	–
Revolving credit facility	**28**	–	277,552	–	–
Derivative liability	**25**	25,607	83	–	–
Trade and other payables	**16**	1,591,953	166,965	39,958	4,057
Current tax liability		1,837	2,110	–	1,986
Other borrowings	**28**	2,241	3,247	–	–
Asset-backed loans	**28**	55,158	143,985	–	–
Senior secured notes	**28**	–	930,575	–	–
Deferred tax liability	**11**	4,961	18,056	–	–
Liabilities directly associated with the assets held for sale	**29**	5,655	–	–	–
Total liabilities		**1,697,042**	**1,546,221**	**39,958**	**6,043**
Equity					
Share capital	**18**	1,839	1,774	1,839	1,774
Share premium	**18**	359,686	347,436	359,686	347,436
Retained earnings		(75,819)	38,506	183,569	184,288
Hedging reserve		(4)	(67)	–	–
Other reserves		(289,853)	(274,451)	(11,613)	(6,368)
Total equity attributable to shareholders		**(4,151)**	**113,198**	**533,481**	**527,130**
Non-controlling interest		3,470	3,501	–	–
Total equity		**(681)**	**116,699**	**533,481**	**527,130**
Total equity and liabilities		**1,696,361**	**1,662,920**	**573,439**	**533,173**

Approved by the board of directors on 18 March 2022, signed and authorised for issue on its behalf by:

....

Philip Shepherd
Director
Registered in England and Wales No: 08649661

Consolidated and parent statement of changes in equity for year ended 31 December 2021

Group	Ordinary shares	Share premium	Retained earnings	Hedging reserve	Own share reserve[1]	Translation reserve[1]	Merger reserve[1]	Total	Non-controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2020	**1,769**	**347,436**	**129,240**	**(423)**	**(5,806)**	**2,137**	**(276,961)**	**197,392**	**4,465**	**201,857**
Loss after tax	–	–	(92,829)	–	–	–	–	**(92,829)**	(788)	**(93,617)**
Exchange differences	–	–	–	–	–	6,741	–	**6,741**	–	**6,741**
Net fair value gains – cash flow hedges	–	–	–	427	–	–	–	**427**	–	**427**
Tax on hedged items	–	–	–	(71)	–	–	–	**(71)**	–	**(71)**
Total comprehensive loss for the year	–	–	(92,829)	356	–	6,741	–	**(85,732)**	(788)	**(86,520)**
Shares issued	5	–	–	–	–	–	–	**5**	–	**5**
Repurchase of own shares	–	–	–	–	(562)	–	–	**(562)**	–	**(562)**
Share-based payments net of tax	–	–	1,946	–	–	–	–	**1,946**	–	**1,946**
Repurchase of non-controlling interest	–	–	232	–	–	–	–	**232**	(232)	**–**
Change in non-controlling interest	–	–	(83)	–	–	–	–	**(83)**	56	**(27)**
Balance at 31 December 2020	**1,774**	**347,436**	**38,506**	**(67)**	**(6,368)**	**8,878**	**(276,961)**	**113,198**	**3,501**	**116,699**
Loss after tax	–	–	(123,805)	–	–	–	–	**(123,805)**	154	**(123,651)**
Exchange differences	–	–	–	–	–	(10,157)	–	**(10,157)**	–	**(10,157)**
Net fair value gains – cash flow hedges	–	–	–	78	–	–	–	**78**	–	**78**
Tax on hedged items	–	–	–	(15)	–	–	–	**(15)**	–	**(15)**
Total comprehensive loss for the year	–	–	(123,805)	63	–	(10,157)	–	**(133,899)**	154	**(133,745)**
Shares issued	65	12,250	–	–	–	–	–	**12,315**	–	**12,315**
Deconsolidation of an entity	–	–	–	–	–	–	–	**–**	(185)	**(185)**
Repurchase of own shares	–	–	–	–	(5,245)	–	–	**(5,245)**	–	**(5,245)**
Share-based payments net of tax	–	–	9,480	–	–	–	–	**9,480**	–	**9,480**
Balance at 31 December 2021	**1,839**	**359,686**	**(75,819)**	**(4)**	**(11,613)**	**(1,279)**	**(276,961)**	**(4,151)**	**3,470**	**(681)**

[1] *Other reserves total £289,853,000 deficit (2020: £274,451,000 deficit).*

Parent	Ordinary shares	Share premium	Retained earnings	Own share reserve	Total
	£000	£000	£000	£000	£000
Balance at 1 January 2020	**1,769**	**347,436**	**174,012**	**(5,806)**	**517,411**
Profit after tax	–	–	8,330	–	**8,330**
Total comprehensive profit for the year	–	–	8,330	–	**8,330**
Shares issued	5	–	–	–	**5**
Repurchase of own shares	–	–	–	(562)	**(562)**
Share-based payments	–	–	1,946	–	**1,946**
Balance at 31 December 2020	**1,774**	**347,436**	**184,288**	**(6,368)**	**527,130**
Loss after tax	–	–	(10,199)	–	**(10,199)**
Total comprehensive loss for the year	–	–	(10,199)	–	**(10,199)**
Shares issued	65	12,250	–	–	**12,315**
Repurchase of own shares	–	–	–	(5,245)	**(5,245)**
Share-based payments	–	–	9,480	–	**9,480**
Balance at 31 December 2021	**1,839**	**359,686**	**183,569**	**(11,613)**	**533,481**

Consolidated and parent company statement of cash flow for year ended 31 December 2021

	Note	Group 2021 £000	Group 2020 £000	Parent 2021 £000	Parent 2020 £000
Net cash generated by operations	**30**	**10,514**	**41,510**	**5,847**	**1,288**
Investing activities					
Purchases of property, plant and equipment	**14**	(3,928)	(2,449)	–	–
Purchases of intangible assets	**13**	(10,486)	(11,375)	–	–
Proceeds from disposal of intangible assets and property, plant and equipment		57	–	–	–
Acquisition of subsidiaries, net of cash acquired		–	(27)	(700)	(700)
Acquisition of associate		(24,500)	–	–	–
Deferred consideration paid in connection with subsidiary acquisitions		(16,892)	(7,149)	–	–
Net cash used in investing activities		**(55,749)**	**(21,000)**	**(700)**	**(700)**
Financing activities					
Movements in other banking facilities		(275,659)	34,687	–	–
Financing from other Group undertakings		1,397,968	–	–	–
Proceeds from ABS issuing		–	62,440	–	–
Redemption of existing senior notes		(959,084)	–	–	–
Net proceeds from senior notes issuing		63,714	–	–	–
Repayment of ABS loans		(89,171)	–	–	–
Early senior notes repayment costs		(15,457)	–	–	–
Payment of interest on senior notes		(38,342)	(38,860)	–	–
Payment of interest on asset-backed loans		(3,947)	(3,909)	–	–
Repurchase of own shares		(5,245)	(562)	(5,245)	(562)
Issue of share capital		65	5	65	5
Bank interest received	**7**	22	61	–	–
Bank and other similar fees paid		(6,342)	(7,622)	–	–
Lease payments	**20**	(5,321)	(5,636)	–	–
Payment of deferred interest		(1,907)	(328)	–	–
Net cash flow generated/(used in) by financing activities		**61,294**	**40,276**	**(5,180)**	**(557)**
Net increase/(decrease) in cash and cash equivalents		16,059	60,786	(33)	31
Cash and cash equivalents at beginning of year		182,892	115,376	49	18
Effect of exchange rates on cash and cash equivalents		(1,667)	6,730	–	–
Cash and cash equivalents at end of year including held for sale		**197,284**	**182,892**	**16**	**49**
Cash and cash equivalents held for sale[1]		(3,352)	–	–	–
Cash and cash equivalents at end of year excluding held for sale		**193,932**	**182,892**	**16**	**49**

[1] £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

Notes to the Financial Statements

1.1. General information

Arrow Global Group Limited ('the Company') is a private company limited by shares, incorporated in England and Wales. The address of the registered office is presented on page 1. The financial statements are presented in pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand except when otherwise indicated.

The Company's subsidiaries, both direct and indirect, at 31 December 2021 are listed in note 22.

The Group's principal activity is to identify, acquire and manage secured and unsecured defaulted and non-core loan portfolios and real estate from, and on behalf of financial institutions such as banks, institutional investors and credit card companies.

1.2. Basis of preparation and going concern

The Group and Company's financial statements for the year ended 31 December 2021 have been prepared in accordance with UK-adopted international accounting standards. The accounting policies have been applied consistently in the current and prior periods.

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes of the Company have not been presented in this annual report and accounts. A number of the Group's subsidiaries have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2021, with the parent Company providing a declaration of guarantee in accordance with section 479C of the Companies Act 2006 for the relevant subsidiaries as at 31 December 2021. A full listing of the subsidiaries availing of the guarantee and audit exemption is set out in note 22.

The financial statements of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and certain portfolio investments and the amortised cost accounting for other financial assets and liabilities.

Going concern statement

In assessing whether the going concern basis is appropriate to adopt for the Group as at 31 December 2021, the directors have undertaken thorough analysis of forecast cash flow models and scenarios for a period of at least 12 months from the date of approval of these accounts, with the primary focus of detailed forecasting running to the end of 2022.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. Key items considered within each forecast were the future outlook for HPI and unemployment, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows. These cash flows were considered against the Group's future liquidity position, taking into account that there are no bond maturities until 2026. Adherence to the Group's leverage covenant was also considered in all scenarios.

The results of this scenario analysis show that in a severe but plausible downside scenario, before considering any management actions (such as cost reductions, slowing purchases and collection acceleration) as required, the Group is able to maintain sufficient liquidity, operate within banking covenants, and to continue as a going concern. This scenario was aligned to the severe downside forecasts outlined in note 23.

Finally, a reverse stress test has also been prepared to identify the magnitude of a downside stress that needs to occur to cause the group to breach its liquidity headroom and/or leverage covenant. It has been concluded that this represents an overly severe and implausible scenario. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes to the Financial Statements *(continued)*

2. Accounting Standards

New standards

The following new standards and interpretations are mandatory for the year beginning 1 January 2021:

- Interest rate benchmark reform phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);

The Group also chose to early adopt the 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7' early in 2019.

2.1 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Company's financial statements:

- Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37);
- Annual improvements to IFRS standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- IFRS 17 Insurance Contracts;
- Classification of liabilities as current or non-current (Amendments to IAS 1);
- Accounting policies, changes in accounting estimates and errors: definition (Amendments to IAS 8); and
- Amendments to IAS 1 presentation of financial statements and IFRS practice statement 2 making material judgements.

3. Significant Accounting Policies

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Contingent consideration

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2021 and the comparative period.

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Securitisation vehicles

Securitisation vehicles in which the Group holds an economic interest are usually operated according to predetermined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of various securities in the vehicles.

Outside the day-to-day servicing of the receivables (which may be carried out by the Group under a servicing contract), key decisions are usually required only when the intent of the participants regarding the design of the economic structure or the strategy for the collection of the underlying assets changes.

In assessing whether it has control, the Group considers whether it manages the key decisions that most significantly affect these vehicles' returns, alongside its total variability related to its economic interests in the vehicles. As a result, the Group has concluded that it controls some of these vehicles, but not all (for more information on consolidated vehicles, see note 26).

Investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove fund manager. For all funds managed by the Group, the investors are able to vote by simple majority, less than ten investors, to remove the Group as fund manager without cause.

In summary, the number of investors who are required to act together to remove the Group as fund manager without cause is low. Although similar, the investment strategies of the Group and other investors in the fund are different, with the Group having the option to not invest in certain circumstances. Therefore, despite the Group's variability of its aggregate economic interest in some cases being above 30% (depending on which items are included/excluded), the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

For further disclosure in respect of unconsolidated securitisation vehicles and investment funds in which the Group has an interest or for which it is a sponsor, see note 26.

i. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

ii. Transactions eliminated upon consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the spot exchange rates at the date of the transactions. The functional currency of the Group is pounds sterling, which is also the presentational currency of the Group.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the carrying amount in the foreign currency, translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

Interest

i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL).

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. This is the case for all the Group's portfolio investments held at amortised cost, recognised since the introduction of IFRS 9.

Additionally, for such assets, the future cash flows are forecast across the next 84 months following the balance sheet date. This is the point by which substantially all of the cash flows will have been received from a normal portfolio investment.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, such as legal and due diligence fees.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the expected cash flows and, for financial assets, adjusted for any ECL allowance.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, which includes all of the Group's portfolio investments held at amortised cost, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. Subsequently, the carrying value of the portfolios is adjusted by updating future cash receipts and discounting them using the original credit adjusted effective interest rate with the subsequent remeasurement recognised as impairment through the statement of profit or loss.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in fair value gains on portfolio investments at FVTPL.

Fair value gains on portfolio investments at FVTPL

Fair value gains on portfolio investments at FVTPL represents all of the income and expenses relating to the Group's portfolio investments which are classified as FVTPL. The line item includes fair value changes, interest and dividends.

Leases

i. Group acting as a leasee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the shorter of its useful economic life and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The adjustment is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

ii. Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

iii. Group acting as a lessor

None of the arrangements that the Group has entered into have been determined to constitute the Group acting as a lessor under the definitions of IFRS 16.

Taxation

i. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

ii. Current tax

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ARROW GLOBAL

Notes to the Financial Statements (continued)

3. Significant Accounting Policies (continued)

iii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

Deferred tax assets and liabilities are offset only if certain criteria are met.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Financial assets and financial liabilities

i. Recognition and initial measurement

The Group initially recognises portfolio investments, debt securities issued and other financial liabilities on the date on which they are acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. No such elections have been made by the Group.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. No such designations have been made by the Group.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's portfolio investments are comprised of various types of underlying credit positions. The majority of investments are held by the Group for the primary purpose of collecting the underlying cash flows to the fullest extent possible. Sales of such portfolio investments are not a common occurrence and are not part of management's strategy for such investments when they are purchased.

The Group's co-investment alongside its Fund and Investment Management business is deemed to be held in a different business model than 'hold to collect', as these portfolio investments are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the business model of these assets is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the Group's co-investment alongside its Fund and Investment Management business is classified as FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events changing the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity and similar instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

Contractually linked instruments

The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

i. Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. The gain or loss is presented as interest income calculated using the effective interest rate method.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as a derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

ii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activity.

iii. Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

iv. Impairment

The Group recognises loss allowances for ECL on financial assets that are debt instruments, and that are not measured at FVTPL. No impairment loss is recognised on equity investments. The Group has not taken the low credit risk exemption for any of its financial assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (excluding credit-impaired assets), for which they are measured as 12-month ECL.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date, except POCI financial assets: as the difference between the gross carrying amount and the present value of estimated future cash flows; or
- POCI financial assets: the ECL is incorporated into the estimated future cash flows, therefore it is not possible to separate this from a 'gross carrying amount' of these assets. As such, although ECL is incorporated into the carrying amount, a separate loss allowance is not held for POCI financial assets. The only material assets in this category are the portfolio investments held at amortised cost.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate; or
- lease receivables: the discount rate used in measuring the lease receivable.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Restructured financial assets

If the terms of a financial asset are renegotiated or modified, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Designation at fair value through profit or loss

The Group has not designated any financial assets or liabilities as FVTPL in either the current or previous periods.

Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Derivatives

All derivatives are measured at fair value in the statement of financial position.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%. For a cash flow hedge of a forecast transaction, the Group makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Other assets

No ECL has been recognised for intercompany loans, cash and cash equivalents or trade and other receivables, on the basis that the ECL on such items is deemed to be immaterial.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty clearing house by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

Property, plant and equipment
i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Furniture	five years
Computer equipment	three years
Leasehold improvements	five years
Vehicles	three years
Right-of-use assets	based on contractual terms

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Intangible assets

i. Software licenses and IT platforms

Expenditure on internally developed software, such as IT platforms, is recognised as an asset when the Group is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

Intangible assets and goodwill

The capitalised costs of internally developed software include all costs directly attributable to developing the software plus capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Software, including IT platforms, is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to ten years. Amortisation is disclosed within other expenses within the statement of profit and loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

ii. Customer intangibles

When the Group acquires businesses which have material ongoing customer relationships, whether they are contractual or not, the principles of IFRS 3 dictate that the fair value of such customer relationships must be estimated and recognised on the balance sheet at the acquisition date. The impact of this is to effectively reduce the goodwill recognised on acquisition.

Subsequent to the initial recognition of such assets, they are amortised over the expected life of the customer relationships with the Group. This amortisation is recognised within operating expenses.

The useful lives and carrying values of customer intangibles are reviewed at each reporting date and adjusted if appropriate.

iii. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future post-tax cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation with an outflow of economic resources. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the consolidated statement of financial position and are discounted to present value.

Employee benefits

i. Share-based payment transactions

Share-based payment transactions in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payments.

The grant date fair value of the share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards.

The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For share-based payments with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Where the Company grants rights to its equity instruments to employees of its subsidiaries, the costs are recharged to the subsidiary in line with the requirements of IFRS 2 'Share-based payments'.

ii. Shares held in an employee benefit trust (EBT)

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore, reflected in these financial statements.

iii. Retirement benefit costs

Payments to defined contribution retirement schemes are charged as the employees provide services to the Group.

The Group makes contributions to defined contribution plans to provide pension benefits for employees upon retirement, and otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

Inventories

As part of the Group's investment activities, it sometimes acquires real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow a period of time where capital expenditure is being applied to the asset, such investments fall under the scope of IAS 2 – Inventories.

In line with IAS 2, all assets classified as inventories are held at initial cost, plus any subsequent cost of capital expenditure. Such assets are held at the lower of cost and net realisable value, but apart from this, no gain or loss will be taken on the value of the assets until the point at which they are sold, or partially sold.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity, or can demonstrate significant influence, or evidence through a number of aspects such as representation on the board of directors, participation in policy-making and decisions, material transactions between the entity and investee, interchange of managerial personnel or provision of essential technical information. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of the associate from the date that significant influence commences until the date that it ceases.

Share capital and reserves

i. Share capital

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii. Other reserves

Other reserves include the own share reserve, the translation reserve and the merger reserve. These reserves are further explained in note 18.

Intercompany receivables

The Company holds material intercompany receivables within its statement of financial position.

These have been assessed under the IFRS 9 ECL criteria, measuring expected losses over the longest contractual period the Company is exposed to credit risks. The Company has concluded that these assets have no material ECL.

Income from asset management and servicing

i. Servicing fees

The Group undertakes various asset servicing and collection roles on behalf of its customers. The majority of this activity is performed at a point in time, and the service is deemed to have been provided to the customer either due to the passage of time, or upon the completion of an action such as making a collection or sending a notification to the customer. Therefore, in accordance with IFRS 15, the revenue from asset management and servicing activities is recognised either upon the completion of such actions. Where the Group is contracted to perform activities over time, such as master servicing arrangements, the fee is recognised as the services are performed, with time elapsed being the measure of progress.

ii. Asset management fees

The Group earns management fees from its performance of asset management services. Management fees are charged on third-party money managed by the Group and are based on an agreed percentage of either committed money, invested money or net asset value (NAV), dependent on the fund. Management fees are variable fee revenue streams, which relate to one performance obligation and contain a non-performance and performance-related fee element. The non-performance element of the fee is recognised as the services are performed, with time elapsed being the measure of progress. Performance related fees are discussed below.

iii. Performance-related fees

Performance-related fees are recognised only where it is highly probable that the revenue will not be reversed in the future. This is generally near the end of the performance period or upon early liquidation of a fund. Performance-related fees will only be crystallised when a performance hurdle is met. The estimate of performance fees is made with reference to the liquidation profile for the fund, which factors in portfolio exits and timeframes. A constraint is applied to the estimate to reflect uncertainty of future fund performance.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

iv. Contract balances

In some instances, fees may be paid to a third party which are directly linked to the acquisition of a long-term contract with a customer. In line with IFRS 15 requirements, such costs are taken to the balance sheet as a cost to acquire a customer contract, and are released to the comprehensive statement of profit or loss over time, on a profile corresponding with the period over which economic benefits will be derived from the contract. Further Information on the Group's contract balances can be found in note 6.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn income and incur expenses, including income and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's board (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Deferred and contingent consideration

During the normal course of business, the Group enters in agreements with third parties to purchase portfolios of financial assets, and the consideration paid may include an element of deferred consideration. Such consideration is discounted at the Group's weighted average cost of debt to its present value at the point of initial recognition of the acquired portfolio asset, and this discounted amount is included within the purchase price of the portfolio asset. A liability for the discounted amount of deferred consideration is also recognised at this time. Subsequent to this, the discount taken from the gross deferred consideration payable to the initial present value is recognised in the income statement as a finance cost over time.

Usually as part of business acquisitions, the Group also enters into arrangements with third parties to pay amounts in the future which are contingent on the outcome of a future event, such as the acquired business meeting certain operational or financial targets. In such instances, the Group forms an initial estimation of the fair value of such consideration by assessing the likelihood of paying out a range of amounts, and using this analysis to calculate the probability-weighted average expected pay-out. This amount is then discounted at the Group's cost of debt to bring it to its present value at the point of acquisition. An assessment is made at this point as to whether the payments constitute a post-employment benefit arrangement with former owners, or not. If this is not the case, the present value is included within the consideration paid to acquire the business and within goodwill, if relevant. Each period, the discount is unwound to the income statement as a finance cost, and the liability is remeasured to its current fair value at that point in time with the remeasurement to the income statement as an other operating expense.

4. Critical accounting judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is set out below.

i. Classification of portfolio investment assets

The Group holds the majority of its portfolio investments at amortised cost, due to the fact that management have determined that these assets meet the SPPI criteria, and are held in a 'hold to collect' business model. The SPPI criteria for each portfolio are assessed at the point each portfolio is being approved for purchase, and are based on the nature of the underlying loans which are being purchased. This determination is made for each purchase individually, unless it is a follow-on purchase of the same or very similar assets, which have already been assessed.

Notes to the Financial Statements *(continued)*

4. Critical accounting judgements and estimates *(continued)*

Regarding the 'hold to collect' business model, the Group has determined that this is the most appropriate IFRS 9 business model classification for its general portfolio holding activities, as although in the past a small number of portfolios have been sold outright to a third party, such sales do not comprise a material component of the Group's ERC at any point in time. Therefore, such infrequent sales activity is not deemed to invalidate the 'hold to collect' business model which the Group employs for the majority of its portfolios.

Another judgement that has been made regarding the Group's amortised cost portfolio assets is that they all fall within the POCI classification for IFRS 9 impairment measurement purposes. This judgement has been made by the Group, based upon the fact that historic purchase history and the current composition of the amortised cost portfolio investments shows that such assets tend to be bought at a point in time where they are credit impaired in some manner. This is supported by not only the nature of the assets, but by the fact that they are usually purchased at a deep discount, which is reflective of their incurred credit losses to date.

For some portfolio investments, the SPPI criteria is not met, or there is an element of subordination within the holding structure. In such instances, these portfolio investments are held at FVTPL. Furthermore, some portfolio investments, such as those involving real estate, do not meet the definition of a financial instrument for accounting purposes. This leads to a portion of the Group's portfolio investments being classified as 'inventories', under the scope of IAS 2.

The Group's co-investment alongside its Fund and Investment Management business is deemed to be held in a different business model than 'hold to collect', as these portfolios are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the business model of these assets has been judged to be neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the Group's co-investment alongside its Fund and Investment Management business is classified as FVTPL.

ii. Determination of control over investees

Arrow holds an economic interest in a number of entities which it determines under IFRS 10, that it does not control. As such, these entities are not consolidated into the Group's financial statements, but rather, the investment in such entities is recognised as a single asset within the appropriate balance sheet classification, usually portfolio investments, but also investment in associates

Conversely, the Group also consolidates entities into its financial statements which it does not have 100% ownership of, but the Group is judged to control regardless.

The judgement as to whether or not the Group has control over an entity is taken on a case-by-case basis by management, and is firstly based upon whether the Group can exercise any power over the relevant activities of the entity, and if this is the case, whether there is deemed to be a link between such power and the variability of the Group's returns which arise from the entity.

In many cases, the determination of control is clear. Cases where management must apply more judgement can occur where the Group holds a minority equity-level financial interest in a structured entity, as well as providing services to these entities in a typical supplier-customer relationship capacity. In these cases, the Group mainly assesses the relative share of marginal variable returns which flow to third parties versus the share which flows to the Group as a primary indicator of whether the Group is exercising any power it may have to influence the variable returns of the structured entity, either for its own benefit, or for the benefit of third parties in the structure. In the case of the former, the entity will usually be consolidated, whereas under the latter, the entity will usually not be consolidated.

The Group went into significant consideration as to whether the Group's acquired stake in Maslow Global Limited and option to purchase the remaining 51% in the future required consolidation or not, and concluded that it should be treated as an investment in associate, see page 66 for more detail.

Assumptions and estimation uncertainties

i. Carrying value of portfolio investments

The carrying value of portfolio investments is £1,029,959,000 at 31 December 2021 (2020: £1,042,215,000). The majority of these portfolio investments are measured at amortised cost.

Notes to the Financial Statements *(continued)*

4. Critical accounting judgements and estimates *(continued)*

Historically, a bottom-up approach was taken whereby each individual portfolio's cash flow has been modelled based on a number of factors, including balance sheet cash collections history and an array of data concerning the status of the individual loans within these portfolios, for example account-specific balance sheet cash collections history, account statuses, property statuses and valuations (for secured accounts), servicer history, and supporting data from third parties such as credit files or geo-demographics. This data has then been used in conjunction with the predicted effectiveness of any additional collection initiatives to forecast future balance sheet cash collections for each portfolio.

For the 31 December 2020 reforecast, as management believed the nature of the Covid crisis had caused a temporary dislocation in cash collections, the Group sought to determine how the more volatile macroeconomic environment impacted the bottom-up portfolio-level ERC forecasts, via a series of overlays, taking into account forecast future macroeconomic circumstances at the time. Using statistical methods and consideration to external macroeconomic forecasts, balance sheet cash collections performance throughout the year and local in-house knowledge, 'top-down' adjustments were applied to the base portfolio ERC from the prior year forecast.

As at 31 December 2021, management returned to the bottom-up approach as deployed for 2019, using a combination of asset-specific forecasts and statistical models to determine each portfolio's expected cash flows. The same range of factors as described for 2019 were used, but with further calibration to reflect recent collection performance and adjusted for initiatives that are expected to improve collections performance. ERCs also include specific considerations of multiple economic scenarios and the impact of collections, in line with IFRS 9. Numerical disclosures and sensitivities have been set out in note 23, to assist the users of these statements in understanding the financial impact of the most recent reforecast.

The portfolio-level ERC curves were then discounted at the appropriate rate (EIR for amortised cost portfolios, a rate reflective of assumptions that market participants would use when pricing the asset for FVTPL portfolios), to obtain the revised NPV and hence carrying value of the amortised cost and FVTPL portfolio investments. For REO portfolio investments, the revised ERC curve was used to determine the net realisable value in assessing each portfolio for potential impairment.

The estimated future cash flows generated by the above process are the key estimate/judgement in these financial statements. Flexing the expected future gross cash flows by +1/-1% would impact the closing carrying value of the amortised cost and FVTPL portfolio investments as at 31 December 2021 by +/- £9,855,000 (2020: +/- £9,810,000). The forecasting period over which ERCs are calculated is also a key estimate/judgement in these financial statements. Adding or removing six months to the cash flow forecasting period would increase/(reduce) the closing carrying value of the portfolio investments as at 31 December 2021 by £7,020,000/(£9,594,000) (2020: £8,637,000/(£11,012,000)). Note that there are a large number of inputs that are used to derive the ERC and hence the carrying value of portfolios. However, many of these are factual historical data points which do not individually involve significant estimation uncertainty, and as such, an overall combined sensitivity has been provided.

ii. Impairment assessment of goodwill balances

The carrying amount of goodwill is £265,237,000 at 31 December 2021 (31 December 2020: 278,338,000). In line with the Group's accounting policies, the goodwill balance is assessed for impairment at each annual reporting date. The impairment assessment is carried out on a value in use basis, using discounted cash flow models for each cash generating unit (CGU) to determine whether the ongoing value in use of each CGU is higher than its carrying amount. No impairment was recognised as a result of the assessment performed as at 31 December 2021. This assessment is sensitive to the discount rate applied, and management's forecast future cash flows for each CGU. Further information about the methodology applied and sensitivities to these factors are disclosed in note 12.

Notes to the Financial Statements *(continued)*

5. Segmental reporting

Segmental information has been provided in line with what is reviewed on a regular basis by the chief operating decision maker (CODM), which is the board of directors collectively, as defined in IFRS 8. The principal business categories are as follows:

Balance Sheet business	All portfolio investments that the Group owns, and the income and costs associated with them.
Asset Management and Servicing business (AMS)	Income and costs associated with managing debt portfolios on behalf of the Group and external servicers.
Fund and Investment Management business (FIM)	Income and costs associated with investment management.
Group functions	Costs not directly associated with the other three segments, but relevant to overall oversight and control of the Group's activities.

These segments represent how the Group manages the wider business in 2021 and 2020, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the CODM.

The intra-segment elimination column below removes charges made from the AMS business segment to the Balance Sheet business segment and the FIM business segment on behalf of the Group for servicing and collection of the Group and FIM's portfolio investments and performance fees charged by the FIM business in respect to its investments on behalf of the Group. The intra-segment charge is calculated on equivalent commercial terms to charging third parties.

2021	**Balance Sheet business**	**AMS business**	**FIM business**	**Group functions**	**Intra-segment elimination**	**Adjusting items**	**Total inc. adjusting items**	**Total exc. adjusting items**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	185,943	133,092	55,019	98	(56,353)	–	**317,799**	**317,799**
Collection activity and fund management costs	(87,578)	(77,819)	(28,125)	–	56,353	–	**(137,169)**	**(137,169)**
Gross margin	**98,365**	**55,273**	**26,894**	**98**	**–**	**–**	**180,630**	**180,630**
Gross margin %	*52.9%*	*41.5%*	*48.9%*					
Other operating expenses excluding depreciation, amortisation and forex	(9,909)	(44,348)	(15,752)	(101,628)	–	80,478	**(91,159)**	**(171,637)**
EBITDA	**88,456**	**10,925**	**11,142**	**(101,530)**	**–**	**80,478**	**89,471**	**8,993**
EBITDA margin %	*47.6%*	*8.2%*	*20.3%*					
Depreciation, amortisation and forex	(6,531)	(2,518)	(3,057)	(1,370)	–	–	**(13,476)**	**(13,476)**
Operating (loss)/profit	**81,925**	**8,407**	**8,085**	**(102,900)**	**–**	**80,478**	**75,995**	**(4,483)**
Net finance costs	–	–	–	(96,456)	–	33,290	**(63,166)**	**(96,456)**
(Loss)/profit before tax and adjusting items	**81,925**	**8,407**	**8,085**	**(199,356)**	**–**	**113,768**	**12,829**	**(100,939)**
Adjusting items	–	–	–	–	–	(113,768)	**(113,768)**	–
Loss before tax	**81,925**	**8,407**	**8,085**	**(199,356)**	**–**	**–**	**(100,939)**	**(100,939)**

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Notes to the Financial Statements *(continued)*

5. Segmental reporting *(continued)*

2020	Balance Sheet business £000	AMS business £000	FIM business £000	Group functions £000	Intra-segment elimination £000	Total £000
Total income	64,882	125,361	36,774	837	(60,362)	**167,492**
Collection activity and fund management costs	(98,446)	(71,164)	(21,324)	–	60,362	**(130,572)**
Gross margin	**(33,564)**	**54,197**	**15,450**	**837**	**–**	**36,920**
Gross margin %	*(51.7)%*	*43.2%*	*42.0%*			
Other operating expenses excluding depreciation, amortisation and forex	(10,724)	(38,599)	(12,800)	(12,472)	–	**(74,595)**
EBITDA	**(44,288)**	**15,598**	**2,650**	**(11,635)**	**–**	**(37,675)**
EBITDA margin %	*(68.3)%*	*12.4%*	*7.2%*			
Depreciation, amortisation and forex	(5,094)	(4,903)	(513)	(9,143)	–	**(19,653)**
Operating (loss)/profit	**(49,382)**	**10,695**	**2,137**	**(20,778)**	**–**	**(57,328)**
Net finance costs	–	–	–	(57,495)	–	**(57,495)**
(Loss)/profit before tax	**(49,382)**	**10,695**	**2,137**	**(78,273)**	**–**	**(114,823)**

Total income includes income from portfolio investments, fund and investment management and performance fees, asset management and servicing and other income.

2021	UK, Ireland and Jersey £000	Portugal £000	Italy £000	Netherlands £000	Intra-Group trading £000	Total £000
Total income	164,486	97,006	54,133	58,527	(56,353)	**317,799**
Third-party AMS and FIM income	60,628	38,082	38,306	35,814	(56,353)	**116,477**
Non-current assets	97,644	73,863	80,151	56,008	–	**307,666**

2020	UK, Ireland and Jersey £000	Portugal £000	Italy £000	Netherlands £000	Intra-Group trading £000	Total £000
Total income	74,787	65,518	43,299	44,250	(60,362)	**167,492**
Third-party AMS and FIM income	42,795	34,868	42,336	37,389	(60,362)	**97,026**
Non-current assets	109,546	79,587	85,029	60,497	–	**334,659**

Income from contracts with customers has been disaggregated on a geographical basis, as a similar set of services are provided to customers across the geographies, and therefore this was deemed to be the most appropriate level of disaggregation for this disclosure.

Non-current assets are assets with a useful life of more than one year with the exception of deferred tax which has been excluded.

Gross AMS income includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-Group income for these services.

Notes to the Financial Statements *(continued)*

5. Segmental reporting *(continued)*

Gross FIM income includes fund management and performance fees and intra-Group income for these services.

	2021 £000	2020 £000
Third-party AMS income	95,316	83,482
Intra-Group AMS income	37,776	41,879
Gross AMS income	**133,092**	**125,361**
Third-party FIM income	21,161	13,544
Intra-Group FIM income	18,577	18,483
Income reallocation from Balance Sheet business	15,281	4,747
Gross FIM income	**55,019**	**36,774**
Balance sheet business income	201,224	69,629
Income reallocation to FIM business	(15,281)	(4,747)
Gross Balance Sheet income	**185,943**	**64,882**
Other income	**98**	**837**
Gross income	**374,152**	**227,854**

Gross income includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-Group income for Asset Management and Servicing, fund and investment management and performance fees and intra-Group income for Fund and Investment Management, total income for the Balance Sheet business, and other income.

6. Income from AMS and FIM

Asset management and servicing income

Income from AMS contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies a performance obligation related to a service it has undertaken to provide to a customer.

Servicing income makes up the majority of AMS income, and in itself comprises a broad range of services, including secured and unsecured collection activity, real estate asset realisation, legal title holding, due diligence activities, initial platform migration and on-boarding activities, securitisation vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management.

In all material cases, the services are provided at a point in time that corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognised as the services are provided to the customer, with no deferral or acceleration of revenue across the life of the contract.

Fund and investment management income

Fund and investment management income encompasses services provided in relation to the discretionary and semi-discretionary allocation and management of third-party capital. Fees for fund and investment management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis. Income from fund and investment management services is recognised over time as the services are provided.

Contract balances

At 31 December 2021, the Group had assets relating to contracts with customers in the amount of £9,860,000 (31 December 2020: £8,765,000). These assets fully relate to up-front costs which were incurred to acquire customers within the Group's Fund and Investment Management business, and will be released to the comprehensive statement of profit and loss across the same period as the associated income will be recognised, which is the lifetime of the related fund.

A key judgement made in recognising these costs which were incurred to acquire customers was whether or not the investors in the fund met the definition of a customer in accordance with IFRS 15. Given the small number of larger, institutional investors which were engaged with on an individual basis as part of the customer acquisition process, this was deemed to meet the definition of a customer under IFRS 15 guidance. The weighted average life remaining on these contract balances is 6 years and 4 months (31 December 2020: 7 years and 9 months). The contract balances have amortised in the period, resulting in a £2,014,000 of amortisation expensed to the comprehensive statement of profit and loss during the year (2020: £655,000).

Notes to the Financial Statements *(continued)*

7. Finance income

	2021 £000	2020 £000
Bank interest	22	61
	22	**61**

8. Finance costs

	2021 £000	2020 £000
Interest and similar charges on bank loans	6,654	8,324
Interest and similar charges on senior secured notes	34,576	38,648
Interest and similar charges on asset-backed securitisation	8,017	6,205
Interest rate swap and forward exchange contract hedge costs	59	370
Lease liability interest	1,010	1,107
Intercompany interest paid	11,053	–
Other interest	1,819	2,902
Recurring finance costs	**63,188**	**57,556**
Refinancing	33,290	–
	96,478	**57,556**

9. Auditor remuneration

The analysis of auditor remuneration is as follows:

	2021 £000	2020 £000
Fees payable for audit services – Company	60	60
Fees payable for audit services – Group	1,975	1,451
Fees payable in respect of prior periods for audit services – Group	–	167
Total fees payable for audit services	**2,035**	**1,678**
Fees payable for audit-related assurance services	294	304
Fees payable for regulatory assurance services	–	69
Total fees payable for audit-related and regulatory assurance services	294	373
Fees payable for other assurance services	360	247
Total fees payable for non-audit services	**654**	**620**
Total fees payable	**2,689**	**2,298**

Notes to the Financial Statements *(continued)*

10. Collection activity and fund management costs, other operating expenses and staff costs

10.a Total operating expenses

Total operating expenses are made up of direct and indirect costs, the detail of each is shown in the following tables:

Collection activity and fund management costs	**2021**	**2020**
	£000	**£000**
External collection costs	24,077	28,345
Staff costs (see note 10b)	71,899	62,458
Direct temp labour	3,966	4,981
Direct operating costs	24,442	22,828
Legal disbursements	11,035	8,944
Other collection activity costs	1,750	3,016
Total collection activity and fund management costs	**137,169**	**130,572**

Other operating expenses	**2021**	**2020**
	£000	**£000**
Staff costs (see note 10b)	48,980	40,074
Other related staff costs	7,775	6,389
Premises	3,158	4,485
IT	14,502	14,459
Depreciation and amortisation	16,338	18,910
Write off of PPE and intangible assets	–	249
Net foreign exchange (gains)/losses	(2,793)	743
Contingent consideration remeasurement	–	(5,755)
Other operating expenses	16,675	14,694
Recurring other operating expenses	**104,635**	**94,248**
Takeover costs	48,469	–
Organisational restructure costs	16,063	–
Non-cash write-down	12,718	–
Other acquisition costs	3,228	–
Total other operating expenses	**185,113**	**94,248**

The other staff-related costs caption largely relates to temporary labour, recruitment and training.

10b. Staff costs	**2021**	**2020**
	£000	**£000**
Wages, bonuses and share options	92,812	82,889
Pension costs	4,350	4,415
Social security costs	13,663	13,037
Share-based payments	10,054	1,753
Other	–	438
	120,879	**102,532**

The total executive and non-executive directors' remuneration during the year was £14,136,000 (2020: £1,309,000), including £90,000 in relation to pension costs (2020: £87,000) and £9,591,000 in relation to share-based payments. In respect of the highest paid director, salaries and performance related bonus was £462,000, pension-related benefits were £69,000 and share-based payments were £5,412,000.

Notes to the Financial Statements *(continued)*

11. Tax

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax.

a. Amounts recognised in profit and loss	**2021**	**2020**
	£000	**£000**
Current tax charge/(credit):		
Tax charge at standard UK corporation tax rate	4,858	6,241
Changes in estimate related to prior years	(1,335)	(5,374)
Total current tax charge	**3,523**	**867**
Deferred tax charge/(credit):		
Origination and reversal of temporary differences	15,558	(23,212)
Adjustment in relation to prior years	3,994	297
Effect of changes in tax rates	(363)	842
Total deferred tax charge/(credit)	**19,189**	**(22,073)**
Total income tax expense/(credit)	**22,712**	**(21,206)**

The differences in the effective tax rate for the period and the standard rate of corporation tax in the UK at 19% (2020: 19%) are as follows:

b. Reconciliation of effective tax rate	**2021**	**2020**
	£000	**£000**
Loss before tax	(100,939)	(114,823)
Tax credit at standard UK corporation tax rate	(19,178)	(21,816)
Effect of tax rates in foreign jurisdictions	285	1,950
Expenses not deductible for tax purposes	4,994	2,293
Foreign tax suffered	520	–
Changes in corporate tax rates in the year	(363)	842
Movements in unrecognised deferred tax	33,795	602
Changes in estimate relating to prior years	2,659	(5,077)
Total income tax expense/(credit)	**22,712**	**(21,206)**

c. Amounts recognised in OCI		**2021**			**2020**	
	Before tax	**Tax expense**	**Net of tax**	**Before tax**	**Tax expense**	**Net of tax**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Items that are/may be reclassified to profit or loss:						
Movement in hedging reserve:						
Effective portion of changes in fair value	78	(15)	63	427	(71)	356
Net amount reclassified to profit or loss	–	–	–	–	–	–
Total movement in hedging reserve	**78**	**(15)**	**63**	**427**	**(71)**	**356**

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Notes to the Financial Statements *(continued)*

11. Tax *(continued)*

Deferred tax

The Group has recognised a deferred tax asset in relation to losses of £1,849,000 (2020: £27,684,000), of which £nil (2020: £18,669,000) relate to the UK.

The Group has not recognised a deferred tax asset in respect of £49,759,000 (2020: £2,864,000) of tax losses carried forward, due to lack of certainty over future utilisation of the losses. These losses may be available for offset against future profits and have no expiry date. There are no unrecognised deferred tax liabilities.

The rate of UK corporation tax, as enacted under Finance Act 2021, is expected to increase to 25% from 1 April 2023. Deferred taxation is measured at the rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date. This has resulted in a credit of £363,000 arising in the period in respect of timing differences recognised in the UK. No further tax rate changes were enacted during the year in respect of overseas territories in which the group operates.

Movement in deferred tax balances

2021	Net balance 1 January	Recognised in profit or loss	Recognised in OCI/ equity	Reclassification	Foreign exchange	Net balance 31 December	Deferred tax asset[1]	Deferred tax liability
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed assets	**904**	(904)	–	–	–	–	–	–
IFRS and fair value transitional adjustments	**(16,392)**	1,507	–	11,454	928	**(2,503)**	**2,120**	**(4,623)**
Share schemes	**923**	(349)	(574)	–	–	–	–	–
Hedging reserve	**16**	(1)	(15)	–	–	–	–	–
Other temporary differences	**591**	(974)	–	11	34	**(338)**	–	**(338)**
Losses	**27,684**	(18,468)	–	(6,815)	(552)	**1,849**	**1,849**	–
Total including held for sale	**13,726**	**(19,189)**	**(589)**	**4,650**	**410**	**(992)**	**3,969**	**(4,961)**
						Total moved to assets held for sale	**(757)**	**–**
						Total excluding held for sale	**3,212**	**(4,961)**

[1] Deferred tax asset includes £757,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

2020	Net balance 1 January	Recognised in profit or loss	Recognised in OCI/ equity	Reclassification	Foreign exchange	Net balance 31 December	Deferred tax asset	Deferred tax liability
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed assets	727	177	–	–	–	**904**	**904**	**–**
IFRS and fair value transitional adjustments	(15,634)	1,191	–	(1,080)	(869)	**(16,392)**	**1,664**	**(18,056)**
Share schemes	868	(138)	193	–	–	**923**	**923**	**–**
Hedging reserve	87	–	(71)	–	–	**16**	**16**	**–**
Other temporary differences	721	(191)	–	(24)	85	**591**	**591**	**–**
Losses	6,353	21,034	–	–	297	**27,684**	**27,684**	**–**
	(6,878)	**22,073**	**122**	**(1,104)**	**(487)**	**13,726**	**31,782**	**(18,056)**

Tax impact of the UK giving notice to withdraw from the EU

Given that the UK has now exited the EU (at 31 January 2020), the Group considered the impact of Brexit from a tax perspective. The only impact foreseen is an increase in withholding tax (WHT) suffered on the payment of interest and/or dividends from Portugal and Italy, which is not expected to be material.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

11. Tax *(continued)*

Uncertainty over income tax treatments

The current tax liability of £1,837,000 represents the amount of income taxes payable in respect of current and prior year periods, including a provision in relation to uncertain tax positions.

As for most multi-nationals, the current tax environment is creating increasing levels of uncertainty and the Group is potentially subject to tax audits in many jurisdictions. By their nature, these are often complex and could take a significant period of time to be agreed with the tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. The levels of risk arising from tax audits may change as a result of legislative change, tax authority guidance or practice and correspondence with the tax authorities during a specific audit. It is not possible to quantify the impact that such future developments may have on the tax positions taken in the financial statements.

12. Goodwill

	Total
	£000
Cost	
At 1 January 2020	270,009
Exchange rate differences	10,638
At 31 December 2020	**280,647**
Exchange rate differences	(13,101)
At 31 December 2021	**267,546**
Amortisation and impairment	
At 31 December 2021 and 31 December 2020	2,309
Carrying amount	
At 31 December 2021	**265,237**
At 31 December 2020	**278,338**

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to four aggregated CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the single operating segment defined under IFRS 8 (Operating Segments).

Goodwill CGU allocation

In relation to goodwill, the four CGUs identified are UK, Ireland and Jersey, comprising the UK and Ireland servicing platforms, the Jersey Fund Manager, and portfolio investments based in the UK and Ireland; Portugal, comprising of the Portugal servicing platforms and portfolio investments in Portugal; Netherlands, comprising of the Netherlands servicing platforms and portfolio investments in Netherlands and Italy, comprising the Italy servicing platforms and portfolio investments in Italy. The UK, Ireland and Jersey CGU represents the cash flows generated principally from collections on acquired portfolio investments, management and servicing of third-party debt and fund management fees. Portugal, The Netherlands, and Italy CGUs, represent the cash flows generated principally from collections on acquired portfolio investments, fund and investment management and management and servicing of third-party debt.

The discount rate was a post-tax rate based on the yield of average European 10-year government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities generally, the systemic risk of the specific CGU, and the non-systematic risk imputed from the reconciliation to the expected return on the purchase of the Group by TDR.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal gross domestic product rates for the countries in which the CGU operates and the long-term compound annual profit before taxes, depreciation and amortisation growth rate estimated by management.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

12. Goodwill *(continued)*

Budgeted profit before taxes, depreciation and amortisation were based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated growth for the next five years.

The key assumptions described above may change as economic and market conditions change. The Group estimates that likely possible changes in these assumptions would not cause the recoverable amount of any CGU to decline below the carrying amount.

The Group's goodwill balance has been assessed and no part of the overall balance is deemed to be deductible for tax purposes.

For the purposes of impairment testing, goodwill is allocated to the Group's CGUs as follows:

	2021 £000	2020 £000
UK , Ireland and Jersey	78,900	78,900
Portugal	68,824	73,662
The Netherlands	40,292	43,124
Italy	77,221	82,652
	265,237	**278,338**

An impairment review was carried out at 31 December 2021 that resulted in no impairment to goodwill. The goodwill was assessed to be appropriately stated. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGUs is determined as the higher of fair value, less cost to sell and value in use. Discount rate and forward-looking growth assumptions applied in the value in use calculations were as follows:

	2021				2020			
	UK, Ireland and Jersey	Portugal	The Netherlands	Italy	UK, Ireland and Jersey	Portugal	The Netherlands	Italy
Discount rate %	10.5%	9.5%	8.9%	10.5%	8.9%	9.3%	8.4%	9.4%
Growth rate used to extrapolate forecasts	2.1%	1.5%	1.8%	1.4%	2.0%	2.2%	2.0%	1.7%

Discount rates

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Post-tax rates are used alongside post-tax cash flows, as the post-tax discount rate is more readily derived from observable market information. Any potential differences between post-tax discount rates and cash flows and the pre-tax method under IAS 36 – Impairment of assets have been considered, and no material differences between approaches have been identified.

The starting point for determining the discount rates for each CGU was to use the Group's weighted average cost of capital (WACC) and adjust this for specific factors for each of the CGUs to derive a market participant's rate. The factors took into account the risks inherent in each of the CGUs; such as currency, regulatory, and economic risks and the different operations in the CGUs were also considered.

In determining the appropriate WACC to use in the current impairment test, in line with advice from experts, management took into account both the current and target leverage structure of the Group, as well as pre-COVID-19 and post-COVID-19 market conditions. An average of these approaches provided a balanced view of the appropriate discount rate to use for the value in use calculation in the midst of the uncertainty created by COVID-19.

Notes to the Financial Statements *(continued)*

12. Goodwill *(continued)*

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity. The forecasts assume growth rates in collection activity which in turn drive forecast collections and cost figures. These assumptions are in keeping with the directors' expectations of future growth. Appropriate tax rates are applied to the cash flow forecasts for each CGU. The analysis has been prepared using post-tax cash flows and discount rates, as post-tax discount rates can be more readily derived from observable market data. The Group is satisfied that this is materially equal to performing the analysis on pre-tax cash flows and discount rates.

The result of the goodwill impairment review was that no impairment was deemed to exist as at 31 December 2021. The Group has conducted a sensitivity analysis over the key inputs used in the impairment test of the CGU's carrying value. The CGUs would become impaired based on a net post-tax cash flow reduction set out below, or based on an increase in the discount rate noted below:

	A cash flow reduction	**A discount rate increase of**
UK, Ireland and Jersey	62%	8%
Portugal	35%	5%
Italy	44%	3%
The Netherlands	23%	2%

Notes to the Financial Statements *(continued)*

13. Intangible assets

	Custome intangibles £000	Contractual rights £000	IT Platform[1] £000	Software licences £000	Total £000
Cost					
At 1 January 2020	27,119	1,412	46,227	13,664	88,422
Exchange rate differences	1,373	80	1,445	308	3,206
Additions	–	4	2,964	8,407	11,375
Reclassifications	–	–	181	(175)	6
Disposals	–	–	–	(676)	(676)
At 31 December 2020	**28,492**	**1,496**	**50,817**	**21,528**	**102,333**
Exchange rate differences	(345)	(98)	(1,986)	(409)	(2,838)
Additions	–	–	1,281	9,205	10,486
Write-offs	–	–	(583)	(9,403)	(9,986)
Disposals	–	–	(222)	(1,839)	(2,061)
At 31 December 2021	**28,147**	**1,398**	**49,307**	**19,082**	**97,934**
Accumulated amortisation					
At 1 January 2020	17,195	895	22,114	10,059	50,263
Exchange rate differences	903	54	709	262	1,928
Amortisation for the year[2]	4,063	211	4,538	2,811	11,623
Reclassifications	–	–	181	56	237
Disposals	–	–	–	(427)	(427)
At 31 December 2020	**22,161**	**1,160**	**27,542**	**12,761**	**63,624**
Exchange rate differences	–	(77)	(1,071)	(377)	(1,525)
Amortisation for the year[2]	2,526	81	4,572	3,837	11,016
Write-offs	–	–	–	(2,102)	(2,102)
Disposals	–	–	–	(1,801)	(1,801)
At 31 December 2021	**24,687**	**1,164**	**31,043**	**12,318**	**69,212**
Carrying amount					
At 31 December 2021	**3,460**	**234**	**18,264**	**6,764**	**28,722**
At 31 December 2020	**6,331**	**336**	**23,275**	**8,767**	**38,709**

[1] An intangible asset relating to a software upgrade is included within IT platform. The asset has a carrying value of €5,107,000 (31 December 2020: €5,550,000) and a remaining amortisation period of 8 years and 3 months.

[2] Amortisation and depreciation are shown within the other operating costs line of the consolidated statement of profit or loss.

Notes to the Financial Statements *(continued)*

14. Property, plant and equipment

	Leasehold improvements	Computer equipment £000	Furniture £000	Vehicles £000	Right-of-use asset[1] £000	Total £000
Cost						
At 1 January 2020	7,525	5,399	1,999	299	26,674	41,896
Exchange differences	220	146	57	30	646	1,099
Additions	7	531	7	5	1,899	2,449
Reclassifications	(58)	(157)	(97)	(76)	(372)	(760)
Disposals	(601)	(171)	(42)	(53)	(4,760)	(5,627)
At 31 December 2020	**7,093**	**5,748**	**1,924**	**205**	**24,087**	**39,057**
Exchange differences	(253)	(183)	(61)	(32)	(810)	(1,339)
Additions	271	151	119	164	3,223	3,928
Reclassifications	431	2	–	237	180	850
Write-offs	(438)	(278)	(133)	(179)	(1,662)	(2,690)
Disposals	(52)	(2,046)	(1)	(173)	(1,094)	(3,366)
At 31 December 2021	**7,052**	**3,394**	**1,848**	**222**	**23,924**	**36,440**
Accumulated depreciation						
At 1 January 2020	4,328	3,689	1,333	131	7,894	17,375
Exchange differences	111	94	32	21	210	468
Charge for the year	1,357	905	222	55	4,748	7,287
Reclassifications	(58)	(162)	(68)	(37)	(364)	(689)
Disposals	(140)	(163)	(42)	(53)	(2,598)	(2,996)
At 31 December 2020	**5,598**	**4,363**	**1,477**	**117**	**9,890**	**21,445**
Exchange differences	(198)	(133)	(45)	(42)	(416)	(834)
Charge for the year	455	699	209	63	3,896	5,322
Reclassifications	(326)	(36)	–	251	309	198
Write-offs	(431)	(208)	(30)	(28)	368	(329)
Disposals	(38)	(2,039)	–	(173)	(819)	(3,069)
At 31 December 2021	**5,060**	**2,646**	**1,611**	**188**	**13,228**	**22,733**
Carrying amount						
At 31 December 2021	**1,992**	**748**	**237**	**34**	**10,696**	**13,707**
At 31 December 2020	**1,495**	**1,385**	**447**	**88**	**14,197**	**17,612**

[1] See note 20 for a detailed analysis of right-of-use assets.

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Notes to the Financial Statements *(continued)*

15. Trade and other receivables

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade receivables	30,758	39,899	–	–
Contract balances	9,860	8,765	–	–
Other receivables	6,840	17,687	413	277
Due from other Group undertakings	41,393	–	251,547	224,647
Prepayments	6,448	5,021	–	–
Total including assets held for sale	**95,299**	**71,372**	**251,960**	**224,924**
Trade and other receivables moved to assets held for sale[1]	(1,546)	–	–	–
Total excluding assets held for sale	**93,753**	**71,372**	**251,960**	**224,924**

[1] Trade and other receivables include £1,546,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

16. Trade and other payables

	Group		Company	
Current	2021 £000	2020 £000	2021 £000	2020 £000
Trade payables	10,793	9,889	–	777
Deferred consideration on acquisition of subsidiaries	313	18,497	–	–
Deferred consideration on portfolio investments	27,854	10,538	–	–
Taxation and social security	4,013	2,001	–	–
Due to other Group undertakings	1,397,968	–	39,958	3,280
Accruals	46,337	33,300	–	–
Liabilities arising on acquisition of bankruptcy portfolios	–	12,959	–	–
Provisions	12,825	479	–	–
Other liabilities	22,585	4,644	–	–
Lease liability	4,059	3,560	–	–
	1,526,747	**95,867**	**39,958**	**4,057**
Non-current				
Trade payables	11,562	8,137	–	–
Deferred consideration on acquisition of subsidiaries	1,190	1,633	–	–
Deferred consideration on portfolio investments	–	1,500	–	–
Taxation and social security	189	(124)	–	–
Accruals	3,830	887	–	–
Liabilities arising on acquisition of bankruptcy portfolios	29,409	23,367	–	–
Other liabilities	12,256	21,057	–	–
Lease liability	13,422	14,641	–	–
	71,858	**71,098**	**–**	**–**
Total including held for sale	**1,598,605**	**166,965**	**39,958**	**4,057**
Trade and other payables moved to liabilities held for sale[1]	(6,652)	–	–	–
Total excluding held for sale	**1,591,953**	**166,965**	**39,958**	**4,057**

[1] Trade and other payables include £6,652,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilties held for sale' on the condensed consolidated statement of financial position. See note 29 for more information.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

16. Trade and other payables *(continued)*

Included within other liabilities is €4,267,000 (£3,582,000) (2020: €3,361,000 (£3,043,000)) relating to deferred pay for the Italian employees. The employees are part of statutory indemnity schemes, compulsory by law, that entitles them to deferred pay, typically at the end of their employment, the 'Trattamento di fine rapport' (TFR). A liability is recognised to reflect that the indemnity will be paid at a future date, when the employees leave employment. The liability is included within trade and other payables on the statement of financial position and is calculated by an independent expert through an actuarial valuation, the key assumptions used are detailed below:

	2021	**2020**
Discount rate	0%-1%	0%-0.4%
Annual inflation rate	1%-2%	1%
Wage inflation	2%-3%	2%-3%
Probability of leaving employment for reasons other than retirement (employees aged 18-60)	2%-15% per annum	0%- 0% per annum

17. Contingent liabilities

Through the ordinary course of business, the Group exposes itself to potential liabilities which at present it is not aware of, and may or may not arise in the future. As such, it would not be practical to try and quantify their future financial impact. However, set out below are broad areas of the Group's ordinary business activities which may in the future lead to potential claims or liabilities being incurred by the Group.

Conduct and regulatory compliance

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a possibility that certain aspects of the current or historic business, including, amongst other things, collections practices and general treatment of customers, may be determined by the FCA and other regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment.

Contractual disputes

In carrying out its ongoing business, the Group enters into numerous contracts in any given year with a various third-party entities. There is always a risk that a contractual dispute may arise in the future, which may lead to a claim against the Group in respect of any damages or losses incurred by the third party.

18. Share capital and reserves

Share capital and share premium

	2021	**2020**
Issued, fully paid and authorised:	**£000**	**£000**
183,877,340 (2020: 177,378,244) ordinary shares of 1p each	**1,839**	**1,774**
Offset by own shares	–	(5)
	1,839	1,769

Total consideration for the shares was £361,525,000 (2020: £349,180,000), giving rise to a share premium of £359,686,000 (2020: £347,436,000). There has been an increase in the share premium and consideration due to an issuance of loan notes to fund the investment in associate of Maslow Global Limited.

Own shares consist of treasury shares and shares held within an employee benefit trust. The Company has an employee benefit trust for the granting of shares to applicable employees. There are no 'own shares' in the current year, as they ceased to exist upon the delisting of the Parent Company.

	2021	**2020**
Issued, fully paid and authorised:	**£000**	**£000**
Nil (2020: 628,874) opening own shares of 1p each	–	6
Changes in the period	–	(1)
Nil (2020: 502,656) closing shares of 1p each	**–**	**5**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

18. Share capital and reserves *(continued)*

Nature and purpose of reserves

Hedging reserve

The hedging reserve comprises the net cumulative fair value adjustments on the derivative contracts used in the Group's hedging activities which are deemed to be effective.

Own share reserve

The own share reserve comprises the cost of the Company's ordinary shares held by the Group. At 31 December 2021, the Company held no ordinary shares of 1p each (2020: 502,656 ordinary shares of 1p each) held in an employee benefit trust. This represents 0% of the Company's share capital as at 31 December 2021.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Merger reserve

The merger reserve represents the reserve generated upon consolidation of the Group following the Group reconstruction as part of the IPO where Arrow Global Group Limited (formerly plc) became the Parent Company.

19. Dividends

No dividends were paid or declared during 2020 or 2021 and no final dividend are proposed.

20. Leases

The Group has leases for offices premises, vehicles and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 14).

Leases of vehicles are usually limited to a lease term of two to four years. Leases of property generally have a lease term ranging from five years to ten years. Lease payments are generally fixed, however there are a limited number of property leases where rentals are linked to annual changes in an index (either the retail price index or consumer price index).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Notes to the Financial Statements *(continued)*

20. Leases *(continued)*

Right-of-use assets

Right-of-use assets relate to leased office premises and vehicles that are presented within property, plant and equipment (see note 14).

	Office premises	Vehicles £000	Computer equipment £000
Balance at 31 December 2020	**12,647**	**1,326**	**224**
Depreciation charge for the year	(3,497)	(322)	(77)
Additions	2,010	552	661
Disposals	(271)	(4)	–
Reclassifications	(114)	21	(36)
Exchange differences	62	(348)	(108)
Write-offs	(2,028)	–	(2)
Balance at 31 December 2021	**8,809**	**1,225**	**662**

Maturity analysis – contractual undiscounted cash flows

See note 24 for maturity analysis of lease liabilities as at 31 December 2021 and 31 December 2020.

Amounts recognised in profit or loss

The following leases-related expenses were recognised under IFRS 16 in the profit or loss:

	2021 £000	2020 £000
Interest on lease liabilities	1,010	1,107
Depreciation charge for the year on right of use assets	3,896	4,748
Expenses relating to short-term leases	97	560

Amounts recognised in statement of cash flows

The following lease payments were recognised in the statement of cash flows:

	2021 £000	2020 £000
Total cash outflow for leases	5,321	5,636

Notes to the Financial Statements *(continued)*

21. Related party transactions

Related party balances

Related party balances as at each year end were as follows:

Group	Amounts due from group undertakings		Amounts due to group undertakings	
	2021	2020	2021	2020
	£000	£000	£000	£000
Sherwood Parentco Limited	5	N/a[1]	–	N/a[1]
Sherwood Financing plc	43	N/a[1]	–	N/a[1]
Sherwood Financing 2 Limited	20,526	N/a[1]	(1,372,367)	N/a[1]
Sherwood Acquisitions Limited	20,819	N/a[1]	(25,601)	N/a[1]
Total	**41,393**	**–**	**(1,397,968)**	**–**

[1] On 11 October 2021, Sherwood Acquisitions Limited completed the acquisition of Arrow Global Group plc (now Arrow Global Group Limited) with the shares delisted from the LSE on 12 October 2021, therefore the Sherwood entities were not related parties in 2020 and also did not exist in 2020.

Company	Amounts due from group undertakings		Amounts due to group undertakings	
	2021	2020	2021	2020
	£000	£000	£000	£000
Arrow Global Group Holdings Limited	–	–	–	(1,367)
Arrow Global Limited	13,499	–	(25,178)	(1,913)
Arrow Global One Limited	238,008	224,607	(11,155)	–
Vesting Finance Datachering B.V.	40	40	(294)	–
AGG Capital Management Limited	–	–	(502)	–
Arrow Global Investment Holdings Limited	–	–	(2,829)	–
Total	**251,547**	**224,647**	**(39,958)**	**(3,280)**

The material receivable balance due from subsidiary undertakings from Arrow Global One Limited relates primarily to final dividends declared by Arrow Global One Limited in 2018. In the current period, the movement in this balance relate primarily to interest being charged on the loan. Balances relate to intercompany loans that are repayable on demand, with this being the longest contractual period and are, therefore, held as current liabilities or assets.

As a loan repayable on demand, expected credit losses were estimated on the assumption that repayment of the loan is demanded at the reporting date. It was assessed that loan was not in default as (i) the repayment had not been demanded, and (ii) the subsidiary was considered to be performing.

The maximum period over which expected impairment losses were measured was the period needed to transfer the cash once demanded.

As at 31 December 2021, Arrow Global One Limited could repay the outstanding balance of the receivable in full within two months, with the majority of the payment being received immediately. Accordingly there is no material expected credit loss.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

21. Related party transactions *(continued)*

Key management

Key management personnel, defined as permanent members of the board plus the executive committee in the current year and as permanent members of the board plus all non-executive directors in the prior year, were awarded the following compensation for the financial year since being key management:

	2021	2020
Remuneration	**£000**	**£000**
Salaries and performance related bonus	4,455	1,222
Pension-related benefits	90	87
Share-based payments	9,591	–
	14,136	**1,309**

The number of key management during the year was 17 (2020: 7).

During the current and prior year, there were no other related party transactions other than discussed above.

22. Investments in subsidiaries and associate

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Agenda Management Services Limited* *Company no. 04637581*	UK (England & Wales)	Note 1	100	Trading	DFS
AGG Capital Management (Holdco) Limited (ACM(H)L)* *Company no. 12272877*	UK (England & Wales)	Note 2	100	Trading	AGGL
AGL Fleetwood Limited* *Company no. 11889566*	UK (England & Wales)	Note 2	100	Trading	AFTL
AGL Fleetwood 2 Limited* *Company no. 12660006*	UK (England & Wales)	Note 2	100	Trading	AF2TL
AGL Fleetwood 2 Topco Limited (AF2TL)* *Company no. 12655329*	UK (England & Wales)	Note 2	100	Trading	AGIHL
AGL Fleetwood 3 Limited (AF3L)* *Company no. 12660015*	UK (England & Wales)	Note 2	100	Trading	AF2TL
AGL Fleetwood Topco Limited (AFTL)* *Company no. 11886176*	UK (England & Wales)	Note 2	100	Trading	AGIHL
Arrow Global (Holdings) Limited (AG(H)L)* *Company no. 05606576*	UK (England & Wales)	Note 2	100	Trading	AGIHL
Arrow Global Accounts Management Limited* *Company no. 05478076*	UK (England & Wales)	Note 2	100	Trading	AGL
Arrow Global Adviser Limited* *Company no. 12311219*	UK (England & Wales)	Note 2	100	Trading	AGIHL
Arrow Global Europe Limited* *Company no. 09296946*	UK (England & Wales)	Note 2	100	Trading	AGIHL
Arrow Global Finance Plc* *Company no. 08361735*	UK (England & Wales)	Note 2	100	Trading	AGIHL
Arrow Global Guernsey Limited* *Company no. 08768171*	UK (England & Wales)	Note 2	100	Dormant	AG(H)L
Arrow Global Investments Holdings Limited (AGIHL)* *Company no. 06568603*	UK (England & Wales)	Note 2	100	Trading	AGGHL
Arrow Global Legh Limited* *Company no. 08612068*	UK (England & Wales)	Note 2	100	Dormant	AG(H)L
Arrow Global Limited (AGL)* *Company no. 05606545*	UK (England & Wales)	Note 2	100	Trading	AG(H)L
Arrow Global Luna Limited* *Company no. 08898157*	UK (England & Wales)	Note 2	100	Trading	AG(H)L
Arrow Global Management Limited* *Company no. 07373491*	UK (England & Wales)	Note 2	100	Dormant	AG(H)L
Arrow Global Massey Limited* *Company no. 08612076*	UK (England & Wales)	Note 2	100	Dormant	AG(H)L
Arrow Global One Limited (AGOL)* *Company no. 08649653*	UK (England & Wales)	Note 2	100	Trading	AGGL

Notes to the Financial Statements *(continued)*

22. Investments in subsidiaries and associate *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow Global Portugal Investments Limited* *Company no. 09312429*	UK (England & Wales)	Note 2	100	Trading	AF3L
Arrow Global Portugal Limited* *Company no. 07243769*	UK (England & Wales)	Note 2	100	Trading	AF3L
Arrow Global Receivables Management Limited* *Company no. 05875306*	UK (England & Wales)	Note 2	100	Trading	AG(H)L
Arrow SMA LP Limited (ASLL) * *Company no. 12272894*	UK (England & Wales)	Note 2	100	Trading	AGIHL
Bergen Capital Management Limited* *Company no. 07553297*	UK (England & Wales)	Note 2	100	Trading	MAL
Capquest Debt Recovery Limited (CDRL)* *Company no. 03772278*	UK (England & Wales)	Note 2	100	Trading	CGL
Capquest Group Limited (CGL)* *Company no. 04936030*	UK (England & Wales)	Note 2	100	Trading	QNL
Capquest Investments Limited* *Company no. 05245825*	UK (England & Wales)	Note 2	100	Trading	CGL
Capquest Mortgage Servicing Limited* *Company no. 05821008*	UK (England & Wales)	Note 2	100	Trading	AGOL
Drydens Limited (DFS)* *Company no. 06765260*	UK (England & Wales)	Note 1	100	Trading	AGL
Erudio Customer Management Limited* *Company no. 08612113*	UK (England & Wales)	Note 2	100	Dormant	AG(H)L
Mars Acquisition Limited (MAL)* *Company no. 08522909*	UK (England & Wales)	Note 2	100	Trading	AGIHL
Mars Capital Finance Limited* *Company no. 05859881*	UK (England & Wales)	Note 2	100	Trading	MAL
Mars Capital Management Limited* *Company no. 06483032*	UK (England & Wales)	Note 2	100	Trading	MAL
Quest Bidco Limited (QBL)* *Company no. 07653281*	UK (England & Wales)	Note 2	100	Trading	QTL
Quest Newco Limited (QNL)* *Company no. 07715012*	UK (England & Wales)	Note 2	100	Trading	QBL
Quest Topco Limited (QTL)* *Company no. 07653295*	UK (England & Wales)	Note 2	100	Trading	AGIHL
Western Acquisition Holdings Limited* *Company no. 11341725*	UK (England & Wales)	Note 2	50	Dormant	AGL
Mars Capital Management Ireland DAC	Republic of Ireland	Note 3	100	Trading	MAL
Mars Capital Finance Ireland DAC	Republic of Ireland	Note 3	100	Trading	MAL
Arrow Global Guernsey Limited	Guernsey	Note 4	100	Dormant	AGIHL
Arrow Global Guernsey Holdings Limited (AGGHL)	Guernsey	Note 4	100	Trading	AGOL
AGG Capital Management Limited (AGGCML)	Jersey	Note 5	100	Trading	ACM(H)L
Arrow SMA GP Limited (ASGL)	Jersey	Note 5	100	Trading	ASLL
Arrow Global SMA I LP	Jersey	Note 5	100	Trading	ASLL/ ASGL
Arrow Global Investments Holdings Italia S.R.L. (AGIHIS)	Italy	Note 6	100	Trading	AGIHL
Zenith Service S.p.A. (ZSS)	Italy	Note 6	100	Trading	AGIHIS
Zen Finance Management S.R.L.	Italy	Note 6	50	Trading	ZSS
Arrow Global Italia S.R.L. (AGIS)	Italy	Note 6	100	Trading	AGIHL
VAR Reoco S.R.L.	Italy	Note 6	100	Trading	AGIS
Europa Investimenti Spa (EIS)	Italy	Note 7	71.7	Trading	AGIS
Europa Investimenti Trading S.R.L. (EITS)	Italy	Note 7	100	Trading	EIS
Fieramosca Dieci S.R.L.	Italy	Note 7	100	Trading	EIS
Sagitta SGR Spa	Italy	Note 7	97.26	Trading	EIS
Europa Investimenti Aziende S.R.L. (EIAS)	Italy	Note 7	100	Trading	EIS
Europa Investimenti Gestione Attivi S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Due S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Cinque S.R.L.	Italy	Note 7	100	Trading	EIS
Europa Investimenti Corporate Finance S.R.L.	Italy	Note 7	100	Trading	EIS

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Notes to the Financial Statements *(continued)*

22. Investments in subsidiaries and associate *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Lanzone Diciannove S.R.L. (LDS)	Italy	Note 7	100	Trading	EIS
Lanzone Dodici S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Ventidue S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Quindici S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Ventuno S.R.L.	Italy	Note 8	70	Trading	LDS
LeaseCo First Srl	Italy	Note 6	100	Trading	ZSS
Whitestar S.R.L (WS)	Italy	Note 9	100	Trading	AGIS
New Call S.R.L.	Italy	Note 9	100	Trading	WS
Giardini di Sacro Monte Eco-Immobiliare S.r.l.	Italy	Note 6	100	Trading	AGIS
Etna SPV S.R.L	Italy	Note 6	100	Trading	AGIS
Etna Reoco S.R.L.	Italy	Note 6	0	Trading	N/A
Forest SPV S.R.L	Italy	Note 6	100	Trading	AGIS
Haywave SPV S.R.L	Italy	Note 6	100	Trading	N/A
Leonardo Investment Opportunities	Italy	Note 6	0	Trading	N/A
SPV Project 156 S.R.L	Italy	Note 6	100	Trading	AGIS
SPV Project 158 S.R.L	Italy	Note 6	0	Trading	N/A
SPV Project 1608	Italy	Note 6	0	Trading	N/A
SPV Project 1713 S.R.L	Italy	Note 6	100	Trading	AGIS
Vulcan SPV S.R.L	Italy	Note 6	100	Trading	AGIS
Zeus Finance S.R.L	Italy	Note 6	0	Trading	N/A
PARR SH. P.K.	Albania	Note 10	100	Trading	WS
Strzala Sp. z o.o.	Poland	Note 11	100	Dormant	AG(H)L/AGL
Capquest Debt Recovery S.A (pty) Limited	South Africa	Note 12	100	Dormant	CDRL
AGHL Portugal Investments Holdings, S.A. (AGHLPIH)	Portugal	Note 13	100	Trading	AGIHL
Every Possibilities – Unipessoal LDA (EPUL)	Portugal	Note 13	100	Trading	AGHLPIH
Little Turbilhão SA	Portugal	Note 13	100	Trading	AF3L
Hefesto STC, S.A.	Portugal	Note 14	100	Trading	AGHLPIH
Norfin Investimentos, S.A.(NISA)	Portugal	Note 15	100	Trading	AGHLPIH
Norfin – Sociedade Gestora de Organismos de Investimento Coletivo, S.A	Portugal	Note 14	100	Trading	NISA
Norfin – Serviços, S.A	Portugal	Note 15	100	Trading	NISA
Sandalgreen, Assets, S.A.	Portugal	Note 13	100	Trading	AF3L
Sucesso Delicado, S.A.	Portugal	Note 13	100	Trading	AGHLPIH
Whitestar Asset Solutions, S.A.	Portugal	Note 14	100	Trading	AGHLPIH
Amstelveste Vastgoed B.V.	the Netherlands	Note 16	100	Trading	AGIHB/VFS
Arrow Global Investments Holdings Benelux B.V. (AGIHB)	the Netherlands	Note 16	100	Trading	AGIHL
Focum Groep B.V. (FG)	the Netherlands	Note 16	100	Trading	AGIHB
Focum Solutions B.V.	the Netherlands	Note 16	100	Trading	FG
Fiditon Holding B.V. (FH)	the Netherlands	Note 16	100	Trading	AGIHB
Focum Commerce B.V.	the Netherlands	Note 16	100	Trading	FG
Focum Finance B.V.	the Netherlands	Note 16	100	Trading	FG
Incassobureau Fiditon B.V.	the Netherlands	Note 16	100	Trading	FH
KU88 B.V.	the Netherlands	Note 16	100	Trading	AGBH
Universum Inkasso B.V. (UI)	the Netherlands	Note 16	100	Non-Trading	AGIHB
Vesting Finance Detachering B.V.	the Netherlands	Note 16	100	Trading	VFH
Vesting Finance Holding B.V. (VFH)	the Netherlands	Note 16	100	Trading	AGIHB
Vesting Finance Incasso B.V.	the Netherlands	Note 16	100	Trading	VFH
Vesting Finance Servicing B.V. (VFS)	the Netherlands	Note 16	100	Trading	AGIHB

Notes to the Financial Statements *(continued)*

22. Investments in subsidiaries and associate *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow Global Benelux (Holdings) B.V. (AGBH)	the Netherlands	Note 16	100	Trading	AGIHB
Spark Hypotheken B.V.	the Netherlands	Note 16	100	Trading	AGBH
Bow Advisers S.á r.l	Luxembourg	Note 17	100	Trading	AGGCML
Bow (Co-invest) Advisers S.á r.l	Luxembourg	Note 17	100	Trading	AGGCML
Bow (SMA)Advisers S.á r.l	Luxembourg	Note 17	100	Trading	AGGCML
Focum Belgium (BVBA)	Belgium	Note 18	100	Trading	AGIHB/FG

* Subsidiaries which have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006, with Arrow Global Group Limited providing a declaration of guarantee as at 31/12/2021.

Notes	Registered addresses
Note 1	10th Floor, West One, 114 Wellington Street, Leeds, LS1 1BA
Note 2	Belvedere, 12 Booth Street, Manchester, M2 4AW
Note 3	One Warrington Place, Dublin, D02 HH27
Note 4	First Floor, Albert House, South Esplanade, St Peter Port, Guernsey
Note 5	27 Esplanade, St Helier, Jersey, JE1 1SG
Note 6	Via V. Betteloni 2, 20131 Milan
Note 7	Via Lanzone 31, 20123 Milan
Note 8	Via Niccolo Tommaseo 68, 35131 – Padova
Note 9	Via Pieve Torina, 44–46/a, 00156 Rome
Note 10	Kryqezimi i Rruges Irfan, Tomini me Bulevardin, Gjergj Fishta – Tirana
Note 11	Al. Jerozolimskie nr 148, 02–326, Warszawa
Note 12	Office Suite 15, Canal Edge 1, Tyger Waterfront, Carl Cronje Drive, Bellville, Western Cape, 7530, South Africa
Note 13	Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, 2770 203 Paço de Arcos, Portugal
Note 14	Avenida Almirante Gago Coutinho, nº. 30, piso 0 1000-017 Lisboa
Note 15	Avenida da República, nº 35, 4º, 1050–186, Lisboa–Portugal
Note 16	Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands
Note 17	6D, route de Treves, L-2633 Senningerberg, Grand Duchy of Luxembourg
Note 18	Koralenhoeve 15, 2160 Wommelgem, Belgium

All subsidiaries are included in the Group consolidation, including where the Group does not own 100% of the ordinary shares of the Company. This may arise where the Group exercises control over the relevant activity of the entity and can use this control to impact the variability of returns from the entity. The Group, at times, must exercise judgement as to whether the combination of control and exposure to variability of returns arising from an entity means it is acting primarily as an agent, or as a principal for its own interests and should therefore consolidate the entity into the results of the Group. The Group went into significant consideration as to whether the Group's acquired stake in Maslow Global Limited and option to purchase the remaining 51% in the future required consolidation or not, and concluded that it should be treated as an investment in associate, see page 66 for more detail. The Group did not consolidate any entity which individually had material non-controlling interest balances, and, as such, no further disclosure on non-controlling interests have been provided in this note.

Financial support given to structured entities

During the year, the Group issued no guarantees (2020: nil) to holders of notes issued by structured entities that the Group consolidates.

Notes to the Financial Statements *(continued)*

22. Investments in subsidiaries and associate *(continued)*

Company: investment in subsidiaries

	2021 £000	2020 £000
AGG Capital Management (Holdco) Limited	1,400	700
Arrow Global One Limited	319,750	307,500
Total	**321,150**	**308,200**

The investments in subsidiaries are all stated at cost less accumulated impairment, the latter which is zero.

Associate

On 31 December 2021, the Group acquired 49% of the share capital of Maslow Global Limited (Maslow). Maslow currently specialises in UK real estate development finance, the acquisition of which enhances the Group's capabilities in this sector of the market and enhances the pivot to a capital-light integrated fund manager. The total consideration for the investment is £36,750,000 including cash of £24,500,000 and £12,250,000 of equity instruments via 3,983,740 shares in the parent company Sherwood Topco Limited. In addition, the Group entered into a share option agreement to acquire the remaining 51%. At the date of acquisition, the share option was valued at £25,434,000 and forms part of the consideration.

Maslow's principal place of business and country of incorporation is Guernsey, with a focus on the UK market. As at the year end the Group held 49% of the ownership interest.

The investment in Maslow has been recognised as an investment in associate and has been equity accounted.

The following is summarised financial information for Maslow as at the year end, modified for fair value adjustments on acquisition. No summary of comprehensive income has been presented as the investment occurred at the end of the period.

	2021 £000
Maslow's summarised financial information	
Current assets	8,633
Non-current assets	11,992
Current liabilities	(1,693)
Net assets	**18,932**
Attributable to investee's shareholders	18,932
Group's interest in investee	
Group's interest in net assets of investee at the year end	9,277
Goodwill	52,907
Carrying amount of interest in investee at the year end	**62,184**

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Notes to the Financial Statements *(continued)*

23. Portfolio investments

Split of portfolio investments by period:

	2021 £000	2020 £000
Expected falling due after 1 year	722,783	742,153
Expected falling due within 1 year	307,176	300,062
	1,029,959	**1,042,215**

The movements in portfolio investments were as follows:

As at 31 December 2021	**Amortised cost** **£000**	**FVTPL** **£000**	**Real estate inventories** **£000**	**Total** **£000**
As at the beginning of the year	793,554	187,421	61,240	1,042,215
Portfolios purchased during the year	35,518	154,145	-	189,663
Balance sheet cash collections in the year	(280,999)	(73,923)	(12,464)	(367,386)
Income from portfolio investments at amortised cost	134,101	-	-	134,101
Fair value gain on portfolio investments at FVTPL	-	62,451	-	62,451
Income from portfolio investments – real estate inventories	-	-	1,963	1,963
Net impairment losses	8,629	-	(5,920)	2,709
Exchange and other movements	(8,116)	(27,286)	(355)	(35,757)
As at the year end	**682,687**	**302,808**	**44,464**	**1,029,959**

As at 31 December 2020	**Amortised cost** **£000**	**FVTPL** **£000**	**Real estate inventories** **£000**	**Total** **£000**
As at the beginning of the year	932,199	169,799	61,626	1,163,624
Portfolios purchased during the year	47,169	62,681	–	109,850
Balance sheet cash collections in the year	(287,662)	(46,074)	(5,136)	(338,872)
Income from portfolio investments at amortised cost	164,597	–	–	164,597
Fair value gain on portfolio investments at FVTPL	–	4,976	–	4,976
Income from portfolio investments – real estate inventories	–	–	492	492
Net impairment losses	(100,022)	–	(414)	(100,436)
Exchange and other movements	37,273	(3,961)	4,672	37,984
As at the year end	**793,554**	**187,421**	**61,240**	**1,042,215**

Amortised cost portfolios and real estate inventories have decreased in the year, while FVTPL portfolios have increased. This reflects the Group's pivot to an integrated fund manager such that the majority of investments in the year have been through the Fund as minority co-investments.

Note that for real estate inventories, which are not financial instruments, the balance sheet cash collections figure above is analogous to total sales of inventories, and the net of balance sheet cash collections and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

Notes to the Financial Statements *(continued)*

23. Portfolio investments *(continued)*

Incorporation of forward-looking information

Note 4 includes a description of how the future cash flows are estimated for the Group's portfolio investments. Additionally, the Group incorporates forward-looking information in the measurement of portfolio investments held at amortised cost. The Group formulates three economic scenarios: a base case, which is the central scenario, developed based on consensus forecasts, and two less likely scenarios – one upside and one downside scenario.

These scenarios are calculated by an external and independent macroeconomic forecasting company and are reviewed internally before being used in the Group's models. To derive these scenarios, multiple sources of information are considered, including economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund, and selected private-sector and academic forecasts.

The Group has identified and documented key drivers of credit risk for its portfolio investments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for portfolio investments are: HPI's and unemployment rates, with all countries using the international labour organisation definition across countries. For exposures to specific regions, the key drivers also include relevant real estate prices.

Scenario modelling information

To assist with the understanding of how the Group has modelled the future cash flows which ultimately drive the valuation of the portfolio investment assets, the below table shows the probability that has been assigned to each macroeconomic scenario when preparing the cash flow forecasts.

Key sensitivities

The estimated future cash flows generated by portfolio investments are the key estimates/judgements in these financial statements. Flexing the expected future gross cash flows by -1/+1% would impact the closing carrying value of the portfolio investments as at 31 December 2021 by £9,855,000 (31 December 2020: £9,700,000). Note that this sensitivity applies only to 'amortised cost' and 'FVTPL' portfolio investments, as this is not a critical estimate for real estate portfolio assets.

A key input into the estimate of future cash flows is the probability assigned to each of the 'base', 'downside' and 'severe' cases. If 100% probability was assigned to the most optimistic/pessimistic scenario, the impact is shown in the below table, split by geography and asset class. Note that this sensitivity applies only to 'amortised cost' and 'FVTPL' portfolio investments, as this is not a critical estimate for real estate portfolio assets, as these are only assessed for impairment each period, and such an assessment does not necessarily take into account the multiple future economic scenarios.

2021	**Carrying balance 2021**	**Upside variance 2021**	**Downside variance 2021**
Geography	**£000**	**£000**	**£000**
UK and Ireland	374,808	12,174	(13,620)
Portugal	227,760	20,342	(15,145)
Netherlands	159,961	21,585	(15,173)
Italy	267,430	3,728	(2,905)
	1,029,959	**57,829**	**(46,843)**

Notes to the Financial Statements *(continued)*

23. Portfolio investments *(continued)*

2020	Carrying Balance 2020	Upside variance 2020	Downside Variance 2020
Geography	**£000**	**£000**	**£000**
UK and Ireland	382,889	5,617	(6,336)
Portugal	255,255	11,855	(21,304)
Netherlands	140,175	1,200	(1,389)
Italy	263,896	3,010	(12,200)
	1,042,215	**21,682**	**(41,229)**

2021	Carrying balance 2021	Upside variance 2021	Downside variance 2021
Asset class	**£000**	**£000**	**£000**
Secured	349,695	26,445	(19,103)
Unsecured	635,800	31,384	(27,740)
Real estate inventories	44,464	N/a	N/a
	1,029,959	**57,829**	**(46,843)**

2020	Carrying Balance 2020	Upside variance 2020	Downside Variance 2020
Asset class	**£000**	**£000**	**£000**
Secured	330,128	6,297	(17,889)
Unsecured	650,847	15,385	(23,340)
Real estate inventories	61,240	N/A	N/A
	1,042,215	**21,682**	**(41,229)**

24. Risks arising from financial instruments

Risk management

Credit risk

One of the Group's principal activities is the acquisition and management of non-performing and non-core consumer and commercial unsecured, secured and real estate portfolios. Most portfolios by their nature are impaired at acquisition and the Group continually monitors balance sheet cash collections that in turn inform the ERCs on which the portfolio carrying value is calculated. The ongoing risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information of debt types, also factoring in sale recoveries from collateral held on the secured portfolios. Further details of the forecasting process are given in note 4.i.

An investment process is in place to approve investments on the Arrow balance sheet and in respect of Arrow's participation in fund investments through its separately managed account. The Group also monitors its exposure to geographic concentration of assets. This process exists to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Where portfolio investments are measured at amortised cost using the EIR method, as part of the regular monitoring process, the future cash flows in the ERCs are updated, with impairment gains/losses as a result of changes to the estimated cash flows discounted at the EIR rate. Where portfolio investments are measured at FVTPL, they are measured using a discounted cash flow model.

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

With the introduction of IFRS 9 in 2018, the Group's management of credit risk is now further enhanced through the modelling of multiple economic scenarios and the impact this is expected to have on future balance sheet cash collections performance. All of the Group's portfolio investments have been classified as POCI, due to their credit-impaired nature at the date of purchase. Therefore, no consideration has been given to the staging requirements of IFRS 9 for the Group's portfolio assets.

Given the nature of the portfolios the Group purchases, most arrangements entered into with our customers are of a non-contractual nature, where we work to establish, or re-establish, suitable payment plans that are affordable and sustainable.

The key risks and uncertainties faced by the Group are managed within an established risk management framework. The Group's day-to-day working capital is funded by its cash and cash equivalents.

Credit quality analysis

The Group's purchased portfolio investments have been classified as purchased or originated as credit impaired (POCI) as they include financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses (ECL) against POCI exposures are always calculated on a lifetime basis (cumulative changes in ECL since initial recognition), and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, any changes in lifetime ECL after initial recognition are recognised in profit or loss. The ECL calculation for POCI assets is based on an ECL over 84-months.

In determining ECLs, the assessment of forward-looking economic assumptions, which are sourced from an independent specialist forecasting company, the Group considers a number of macroeconomic scenarios, including assumptions on unemployment and HPI. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, as well as upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgement and is subject to appropriate internal governance.

Impairment gains/losses are changes to carrying values, discounted at the EIR rate, of the acquired debt portfolios as a result of reassessments of their estimated future cash flows and are recognised in the line item 'impairment gains on portfolio investments at amortised cost'. There are generally no credit risk mitigants relating to the Group's unsecured portfolio investments.

As all of the Group's amortised cost portfolio assets are POCI, the cash flows are subject to reassessment each period. For any portfolios that may be sold to a third party from time to time, these are first subject to a cash flow reassessment.

Expected cash flows in such a scenario would be linked to the likely sale proceeds, meaning that all such assets would be written to their expected selling price via an impairment gain/loss, before being sold.

The following tables sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated the amounts in the table represent gross carrying amounts.

As at 31 December 2021	**Stage 1-3**	**POCI**	**Total**
	£000	**£000**	**£000**
Portfolio investments – amortised cost	–	682,687	682,687
Loss allowance	–	N/a	N/a
Carrying amount	**–**	**682,687**	**682,687**

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Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

As at 31 December 2020	Stage 1-3	POCI	Total
	£000	£000	£000
Portfolio investments – amortised cost	–	793,554	793,554
Loss allowance	–	N/a	N/a
Carrying amount	**–**	**793,554**	**793,554**

The following table sets out a geographical analysis of all portfolio investments:

All portfolio balances	2021 £000	2020 £000
UK and Ireland	374,808	382,889
Portugal	227,760	255,255
Netherlands	159,961	140,175
Italy	267,430	263,896
	1,029,959	**1,042,215**

The following tables sets out further credit analysis for portfolio investments measured at amortised cost:

As at 31 December 2021

Amortised cost portfolio balances	Secured £000	Unsecured £000	Total £000
UK and Ireland	33,777	277,412	311,189
Portugal	41,022	121,596	162,618
Netherlands	1,251	40,743	41,994
Italy	45,057	121,829	166,886
Carrying amount	**121,107**	**561,580**	**682,687**

As at 31 December 2020

Amortised cost portfolio balances	Secured £000	Unsecured £000	Total £000
UK and Ireland	42,718	298,163	340,881
Portugal	69,473	137,433	206,906
Netherlands	2,299	53,498	55,797
Italy	72,163	117,807	189,970
Carrying amount	**186,653**	**606,901**	**793,554**

Portfolio balances are based on the customer's country of domicile

The Group's maximum exposure to credit risk on portfolio investments is considered equal to the current carrying balance of such portfolio investments.

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Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

Information on collateral held against amortised cost secured loans

The following table stratifies credit exposures from secured portfolio investments held at amortised cost by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral is based on the most recent appraisals. LTV stratification is deemed a more relevant measure of the value of collateral held against secured loans than gross collateral values held, which may include an amount which is not due to the Group upon realisation.

LTV Ratio	2021 £000	2020 £000
Less than 50%	35,029	56,070
51-70%	9,565	13,315
71-90%	10,545	16,250
91-100%	3,153	4,749
More than 100%	62,815	96,269
	121,107	**186,653**

Other types of credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

Assets obtained by taking possession of collateral

There have been no instances of financial or non-financial assets, obtained by the Group during the year, by taking possession of collateral held as security against portfolio investments.

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operation.

Significant increase in credit risk

There are no significant increases or decreases in credit risk since origination as all portfolio investments have been deemed to be purchased or originated credit impaired on initial recognition.

Cash and cash equivalents

As part of credit risk, the Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency and derivative financial instruments. Counterparty risk with debt sellers is managed through contractual arrangements and warranties.

The Group generally deposits cash and undertakes currency and derivative transactions with highly rated banks, with limits on the level of exposure to any one institution. Institutions with lower credit ratings can only be used with board approval.

No collateral or credit enhancements are held in respect of any financial derivatives. The maximum credit risk on derivatives and trade receivables is the full carrying amount. The maximum exposure to counterparty risk is as follows:

	2021 £000	2020 £000
Cash and cash equivalents[1]	197,284	182,892

[1] Includes £3,352,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position.

The table represents a worst-case scenario of the counterparty risk that the Group is exposed to. The 31 December 2021 balance is spread across a number of counterparties with the top five accounting for 61% of the total (2020: 65%). The maximum exposure to one counterparty is £71 million (2020: £75 million).

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

The cash and cash equivalents are held with banks and financial institution counterparties whose external credit ratings, by either S&P Global Ratings or Moody's Investor Service, are as follows:

	2021	2020
	%	%
AA	4	3
A	62	72
Below A	34	25
Total cash and cash equivalents	**100**	100

Treasury-related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risks are managed within set limits. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's business operations. No transactions of a speculative nature are undertaken, and written options may only be used when matched by purchased options. No treasury-related written options were entered into during 2021 (2020: £nil).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The treasury policy adopted by the Group serves to reduce this risk by setting a specific policy parameter that there are sufficient committed debt facilities and cash and cash equivalents to meet contractual maturities on borrowing facilities plus an operational headroom. In addition, the Group has a medium-term target to maintain leverage of circa 3 times, there is an appropriate refinancing profile and it has diversified funding sources with no over-reliance on a single or small group of lenders or type of funding. At 31 December 2021, the Group's asset-backed security transaction had an average period to maturity of 0.6 years (2020: 3.7 years) the movement year on year being due to the Group's senior secured notes and revolving credit facility as at 31 December 2021, being repaid in the Group and refinanced into a sister company, so no longer included within these results. Total cash and undrawn facilities, which excludes cash that may be subject to constraints regarding when the balance can be remitted, were £185.8 million at 31 December 2021 (2020: £174.6 million).

The treasury function monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well-established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group is highly cash generative with regular cash receipts and portfolio purchases (except forward flows) are discretionary, which helps to mitigate liquidity risk.

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

The key measure used by the Group for managing liquidity risk is liquidity headroom, which includes cash and cash equivalents and the headroom under the two committed facilities, being the revolving credit facility and the asset-backed security facility. Liquidity headroom excludes cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. Details of the liquidity headroom as at the reporting date and during the reporting period were as follows:

	2021[1]	2020
	£000	£000
At 31 December	185,771	174,648
Average for the period	174,518	174,738
Maximum for the period	219,738	225,463
Minimum for the period	111,602	129,020

[1] *Includes £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position.*

Maturity analysis

The table below sets out the remaining contractual maturities (undiscounted) of the Group's financial liabilities and financial assets and includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

Group As at 31 December 2021	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	13,406	112,133	56,085	39,390	6,098	**227,112**
Lease liabilities	–	2,193	5,781	–	1,355	**9,329**
Asset-backed securitisation	1,188	44,196	11,720	–	–	**57,104**
Other borrowings	–	1,072	1,133	36	–	**2,241**
Bank overdrafts	9,630	–	–	–	–	**9,630**
Amounts due to group undertakings	1,397,968	–	–	–	–	**1,397,968**
Total financial liabilities	**1,422,192**	**159,594**	**74,719**	**39,426**	**7,453**	**1,703,384**
Financial asset by type:						
Cash and cash equivalents[1]	197,284	–	–	–	–	**197,284**
Amounts due from group undertakings	41,393	–	–	–	–	**41,393**
Portfolio investments	32,100	287,081	273,492	669,670	179,248	**1,441,591**
Total financial assets	**270,777**	**287,081**	**273,492**	**669,670**	**179,248**	**1,680,268**

[1] *Includes £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position.*

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

Group **As at 31 December 2020**	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	2,338	90,421	20,949	28,082	7,431	149,221
Lease liabilities	373	3,843	4,415	6,844	5,703	21,178
€400 million secured senior note (2.875% plus 3-month Euribor)	789	9,544	10,333	385,241	–	405,907
€285 million secured senior note (3.75% plus 3-month Euribor)	764	8,839	9,603	28,809	258,479	306,494
£320 million secured senior note (5.125%)	713	15,687	16,400	352,800	–	385,600
Revolving credit facility[1]	790	8,495	9,251	289,558	–	308,094
Asset-backed securitisation	1,552	85,414	47,653	19,874	–	154,493
Other borrowings	–	632	1,483	1,132	–	3,247
Bank overdrafts[2]	3,648	–	–	–	–	3,648
Total financial liabilities	**10,967**	**222,875**	**120,087**	**1,112,340**	**271,613**	**1,737,882**
Financial asset by type:						
Cash and cash equivalents	182,892	–	–	–	–	182,892
Portfolio investments	23,064	279,912	303,676	656,036	188,058	1,450,746
Total financial assets	**205,956**	**279,912**	**303,676**	**656,036**	**188,058**	**1,633,638**

[1] Reflects all drawings at 31 December 2020 being held to the facility maturity date of 4 January 2024.

[2] Includes £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position.

The above tables includes a maturity analysis for financial assets that it holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities – to enable the user to evaluate the nature and extent of the Group's and the Company's liquidity risk.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents which can be readily used to meet liquidity requirements. In addition, the Group maintains a committed revolving credit facility provided by a syndicate of banks.

The non-derivative financial liabilities and financial assets are calculated based upon the undiscounted cash flows, which include estimated interest payments. The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position date.

Company **As at 31 December 2021**	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	–	39,958	–	–	–	39,958
Total financial liabilities	**–**	**39,958**	**–**	**–**	**–**	**39,958**
Financial asset by type:						
Cash and cash equivalents	16	–	–	–	–	16
Total financial assets	**16**	**–**	**–**	**–**	**–**	**16**

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Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

Company **As at 31 December 2020**	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	777	3,280	–	–	–	4,057
Total financial liabilities	**777**	**3,280**	**–**	**–**	**–**	**4,057**
Financial asset by type:						
Cash and cash equivalents	49	–	–	–	–	49
Total financial assets	**49**	**–**	**–**	**–**	**–**	**49**

In addition to the above, the Group has entered into certain forward flow agreements to purchase investment portfolio assets to which it has committed to pay an estimated £18,000,000 (2020: £48,000,000) during 2022.

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities:

	2021		**2020**	
	Outflow £000	**Inflow £000**	**Outflow £000**	**Inflow £000**
Not later than one month	–	–	21	–
Later than one month and not later than six months	–	–	21	–
Later than six months and not later than one year	2,614	2,503	42	–
Later than one year and not later than two years	–	–	–	–
Later than two years and not later than five years	–	–	–	–
Total	**2,614**	**2,503**	**84**	**–**

The above table shows the gross contractual undiscounted cash flows receivable and payable on the derivative financial instruments.

The net cash flow exposure as at 31 December 2021 is £111,000 (2020: £29,000).

Financial assets pledged as collateral

See note 28 for more information.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk and are considered further below. Note that the Group does not hold any trading portfolios for the purposes of these disclosures.

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates on its borrowings, principally on the floating rate senior secured notes, and therefore seeks to limit this exposure. This is achieved by the use of techniques to fix interest rate costs, including fixed-rate funding (predominantly longer-term bond funding), bank borrowing loan draw down periods and interest rate hedging instruments. These techniques are used to hedge the interest rate costs on a proportion of borrowings over a certain period of time. Most hedging is for up to three years.

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Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2021 £000	2020 £000
Fixed-rate instruments		
Financial liabilities	–	320,000
	–	**320,000**
Variable-rate instruments		
Financial assets[1]	(197,284)	(182,892)
Financial liabilities	65,171	1,047,521
Effect of interest rate swaps	–	(161,734)
	(132,113)	**702,895**

[1] Includes £3,352,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position.

If interest rates across all countries of operation increased by 50 basis points this would have the following impact:

	2021 £000	2020 £000
Reduction in profit before taxation	6	(671)

This sensitivity analysis is based on the following assumptions:

- the change in market interest rates occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rates affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk: cash flow exposure, net asset exposure and income statement exposure.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are highly likely to arise in the following 12 months. Where cash flow hedges have been entered into, they are designated as cash flow hedges on specific future transactions.

Net asset exposure

A proportion of the Group's net assets are denominated in Euro. The Group limits its exposure to currency risk on non-functional funding through forward currency contracts. The statement of financial position is reported in Sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Group. The Group aims to minimise, to an acceptable level of appetite, the value of net assets denominated in Euro by funding portfolio assets with Euro denominated borrowings where possible.

Income statement exposure

As with net assets, a proportion of the Group's profit is denominated in Euro but translated into Sterling for reporting purposes. The result for the period is translated into Sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rate relative to the Euro will have an impact on the consolidated result for the period. This risk is managed by the Group matching Euro asset purchases with Euro funding wherever possible, to achieve an element of natural hedging.

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% stronger than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase as follows:

	2021	2020
Equity and net assets	**£000**	**£000**
Currency		
Euro (EUR)	(37,322)	21,456
	(37,322)	**21,456**
Net profit		
Currency		
Euro (EUR)	(3,196)	298
	(3,196)	**298**

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

If foreign exchange rates had been 10% weaker than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase as follows:

	2021	2020
Equity and net assets	**£000**	**£000**
Currency		
Euro (EUR)	30,742	(17,555)
	30,742	**(17,555)**
Net Profit		
Currency		
Euro (EUR)	2,615	(244)
	2,615	**(244)**

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is currently not required to hold regulatory capital but has a medium-term target to maintain leverage (calculated as secured net debt over Adjusted EBITDA) of circa 3.0. During the impacts of COVID-19, leverage increased to 5.1 times as at 31 December 2020, above the target range.

The Group aims to maintain appropriate capital to ensure that it has a strong statement of financial position but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance.

The capital structure of the Group consists of cash, cash equivalents debt and equity.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

24. Risks arising from financial instruments *(continued)*

Management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at 31 December 2021 was:

	2021 £000	2020 £000
Ordinary share capital and premium	361,525	349,210
Other reserves	(365,676)	(236,012)
Total equity and reserves	**(4,151)**	**113,198**

25. Financial assets and liabilities

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below. The Group does not apply 'offsetting' to any of its financial assets and liabilities.

As at 31 December 2021	**Mandatorily at FVTPL £000**	**Amortised cost £000**	**Total carrying amount £000**	**Total fair value £000**
Portfolio investments	302,808	682,687	985,495	1,006,042
Cash and cash equivalents	–	193,932	193,932	193,932
Other receivables classified as financial assets	–	88,851	88,851	88,851
Total financial assets	**302,808**	**965,470**	**1,268,278**	**1,288,825**

As at 31 December 2021	**Mandatorily at FVTPL £000**	**Amortised cost £000**	**Total carrying amount £000**	**Total fair value £000**
Asset-backed loans	–	55,158	55,158	55,158
Bank overdrafts[1]	–	9,559	9,559	9,559
Other borrowings	–	2,241	2,241	2,241
Derivative liability	25,607	–	25,607	25,607
Trade and other payables classified as financial liabilities	495	1,513,435	1,513,930	1,513,930
Total financial liabilities	**26,102**	**1,580,393**	**1,606,495**	**1,606,495**

[1] Includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts on the consolidated statement of financial position.

As at 31 December 2020	**Mandatorily at FVTPL £000**	**Amortised cost £000**	**Total carrying amount £000**	**Total fair value £000**
Portfolio investments	187,421	793,554	980,975	1,036,819
Cash and cash equivalents	–	182,892	182,892	182,892
Other receivables classified as financial assets	–	57,586	57,586	57,586
Total financial assets	187,421	1,034,032	1,221,453	1,277,297

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Notes to the Financial Statements *(continued)*

25. Financial assets and liabilities *(continued)*

As at 31 December 2020	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
	£000	£000	£000	£000
Senior secured notes	–	930,575	930,575	926,762
Revolving credit facility	–	277,552	277,552	277,552
Asset-backed loans	–	143,985	143,985	143,985
Bank overdrafts	–	3,648	3,648	3,648
Other borrowings	–	3,247	3,247	3,247
Derivative liability	83	–	83	83
Trade and other payables classified as financial liabilities	475	112,225	112,700	112,700
Total financial liabilities	558	1,471,232	1,471,790	1,467,977

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For instruments that trade infrequently and have little price transparency, fair value is less objective, and required judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted market prices within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

Application to the Group's financial assets and liabilities

The fair value of amortised cost portfolio investments has been calculated by observing the compression in market yields over time and applying the difference between current average market IRRs for the Group's most recent vintage, and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio. As this calculation is based on unobservable inputs, these fair values would be categorised as level 3 values. The primary unobservable input to which this valuation is sensitive to is the current market rates for portfolios. A 1% rise/fall in this rate would lead to a reduction/uplift in fair value of £(10,249,000)/£10,626,000.

The fair value of cash and cash equivalents and the revolving credit facility are deemed to be equal to their carrying amount.

The carrying value of other receivables and payables classified as financial assets/liabilities is deemed to be a good approximation of their fair value, due to their short maturity and low credit risk. These would be considered as level 3 fair values.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

25. Financial assets and liabilities *(continued)*

The carrying value of asset-backed loans is deemed to be a good approximation of their fair value. Given the significant collateral underpinning the asset-backed loans, it is deemed appropriate to not adjust the carrying value for expected credit losses when deriving the fair value of the loans. Additionally, the market rate is not deemed to have materially changed since the issuance of the asset-backed loans. The fair value would be categorised as a level 3 value.

The fair value of the senior secured notes has been calculated by reference to broker quotes that are based on observable market inputs and therefore would be included as level 2 in the fair value hierarchy table should the liability have been held at fair value.

Derivative financial instruments are held at fair value, which is equal to the discounted expected future cash flows arising as a result of the derivative transaction. For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	2021	**2020**
Level 2	**£000**	**£000**
Liabilities:		
Interest rate swaps	–	(83)
	–	**(83)**

	2021	**2020**
Level 3	**£000**	**£000**
Assets:		
Portfolio investments	302,808	187,421
Liabilities:		
Contingent consideration	(495)	(475)
Derivative liabilities	(25,607)	-
	276,706	**186,946**

There have been no transfers between level 2 or level 3. However, it has been determined that contingent consideration liabilities qualify as level 3 financial liabilities held at FVTPL. As such, they are now included within this disclosure.

The fair value of derivative financial instruments used for risk management purposes has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December 2021.

The fair value of derivative financial instruments relating to the Maslow acquisition share option has been calculated using a binomial lattice model.

Total gains on portfolio investments recognised at FVTPL have been presented in the income statement as 'Fair value gains on portfolio investments at FVTPL'. The fair value of portfolio investments recognised as FVTPL has been calculated by using a discounted cash flow model. The significant unobservable inputs used in the calculation of portfolio investments categorised as level 3 in the fair value hierarchy are estimated future cash flows (ERCs) derived from management forecasts and the discount rate appropriate to the investment and the anticipated rate of return.

The total 84-month ERC value for the Group's portfolio investments held at FVTPL is £407,494,000, with an average discount rate of 15.1%. An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at FVTPL of £3,028,000/(£3,028,000). An increase/decrease in the discount rate of 1% would lead to a decrease/increase in the carrying value of portfolio investments held at FVTPL of (£5,474,000)/£5,674,000.

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Notes to the Financial Statements *(continued)*

25. Financial assets and liabilities *(continued)*

The total ERC value for the Group's portfolio investments held at amortised cost is £986,768,000, with an average discount rate of 21.7%. An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at amortised costs of £6,827,000/(£6,827,000). An increase/decrease in the discount rate of 1% would lead to a decrease/increase in the carrying value of portfolio investments held at amortised of (£10,249,000)/£10,626,000. A full reconciliation between the opening and closing portfolio investments held at FVTPL has been provided in note 23. For a fuller description of how the future cash flows are estimated, please refer to note 4.

Reconciliation of level 3 fair values – contingent consideration

Contingent consideration – level 3	**2021 £000**	**2020 £000**
As at the beginning of the year	475	12,549
Contingent consideration remeasurement to deferred consideration	–	(5,755)
Transfer to trade and other payables	–	(6,774)
Unwind of discounting	20	–
Foreign exchange gain	–	455
As at the year end	**495**	**475**

Contingent consideration has arisen as a result of business combinations in prior periods. The outstanding balance of £495,000 relates to the acquisition of Drydens and has a minimum/maximum pay-out of £nil/£500,000. Of the remaining 2020 balance, £475,000 relates to the acquisition of Drydens and has a minimum/maximum pay-out of £nil/£500,000.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments, receipts and exposure to currency rate fluctuations. The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2021 is £2,614,000 (2020: nil). The fair value as at 31 December 2021 £105,000.

Financial instruments not measured at fair value – fair value hierarchy

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Level 3	**2021 £000**	**2020 £000**
Assets:		
Portfolio investments – amortised cost	**682,687**	**793,554**

There have been no transfers in or out of level 3. However, it has been determined that deferred consideration liabilities qualify as level 3 financial liabilities held at amortised cost. The statement of financial position value of the Group's portfolio investments not measured at fair value, is derived from discounted cash flows generated by an internal model. For a fuller description of how the future cash flows are estimated, please refer to note 4. Following acquisition, the fair value will move directionally in line with carrying amount but may deviate as market conditions change.

The Group has an established control framework covering the measurement of portfolio investment carrying values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a semi-annual basis, reviews actual against forecast gross money multiple, approves the latest ERC forecast, assesses the carrying value of the portfolio assets and reviews revenue recognition. A reconciliation of the opening to closing balances for the year of the portfolio investments can be seen in note 23.

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Notes to the Financial Statements *(continued)*

25. Financial assets and liabilities *(continued)*

The Company did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated (2020: none).

Derivatives designated as cash flow hedges

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Instrument type	£000	£000	£000	£000
Interest rate swaps	–	–	–	83
Total derivatives designated as cashflow hedges	**–**	**–**	**–**	**83**

Interest rate hedging

As at the end of 2021, the Group has no interest rate swaps outstanding. As at 31 December 2020, the Group had Euro interest rate swaps, which hedged floating 3-month Euribor with a zero percent floor to a fixed rate and have been designated as cash flow hedges, in place for a Sterling equivalent notional amount of £161,734,000. These interest rate swaps covered current borrowings, being the floating rate senior secured Euro notes. An amount of £83,000 has been credited to equity for the Group in the period in respect of cash flow hedges (2020: £427,000 credit). All hedge relationships have been effective in the year and are expected to maintain effectiveness.

Hedge effectiveness is assessed based upon the relative changes in cash flows arising from the specified portion of the Group's floating rate borrowings, relative to the change in cash flows of the interest rate swaps (using the hypothetical derivative method). The hedges were deemed to be highly effective in the current and prior period. In such hedge relationships, the main source of potential hedge ineffectiveness is counterparty credit risk, of both parties, including the Group. There are no other material sources of hedge ineffectiveness.

Interest rate swaps in place at the statement of financial position date are designated, and are effective under IFRS 9, as cash flow hedges, and their fair value has been recognised in the hedging reserve. All interest rate swaps are categorised as highly effective and no ineffectiveness charge has been made to the statement of profit or loss and other comprehensive income in the year (2020: no charge). No re-classifications into or out of the hedging reserve were made in relation to interest rate swaps.

The Company did not hold any interest rate swaps at 31 December 2021 (31 December 2020: £nil). The interest payable and receivable under the interest rate swaps are expenses directly to the statement of profit and loss and no charge has been made to the Company's equity.

At 31 December 2021, the Group held the following instruments to hedge exposures to changes in interest rates.

	2021		2020	
	Less than 1 year	1-5 years	Less than 1 year	1-5 years
Interest rate risk	£000	£000	£000	£000
Interest rate swaps				
Nominal amount (£000)	–	–	180,000	–
Average fixed interest rate	**–**	**–**	0.05%	–

Reconciliation of components of equity

	Hedging reserve
Reconciliation of components of equity	£000
Balance at 1 January 2021	(67)
Cash flow hedges	
Effective portion of changes in fair value:	
Interest rate risk	78
Related tax	(15)
Balance at 31 December 2021	**(4)**

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Notes to the Financial Statements *(continued)*

26. Unconsolidated structured entities

Unconsolidated structured entities are all structured entities that the Group has an interest in, but does not control. The Group uses structured entities in the normal course of business to facilitate acquisitions of portfolios in accordance with local law, to allow co-investment with other parties, or to implement the financing required to acquire portfolios.

In addition to exposures to unconsolidated structured entities, the Group also undertakes Asset Management and Servicing activities for certain structured entities in which the Group has no other interests. Such activities are charged at a market rates, on terms normal for the industry, and are considered to be a typical customer/supplier relationship per the meaning of this term set out in 'IFRS 12 – Disclosure of Interests in Other Entities'.

Nature and risks associated with Group interests in unconsolidated structured entities:

Geography of operations

As at 31 December 2021	**UK and Ireland**	**Portugal**	**Italy**	**Netherlands**
Underlying asset type				
Loan receivables	10	6	3	5
Real estate	–	2	–	–
Number of entities	**10**	**8**	**3**	**5**

As at 31 December 2021	**UK and Ireland**	**Portugal**	**Italy**	**Netherlands**
Portfolio investments	**£000**	**£000**	**£000**	**£000**
FVTPL	45,309	47,837	69,308	117,967
Amortised cost	–	–	–	–
Total assets	**45,309**	**47,837**	**69,308**	**117,967**
Total liabilities	**–**	**–**	**–**	**–**

As at 31 December 2020	**UK and Ireland**	**Portugal**	**Italy**	**Netherlands**
Underlying asset type				
Loan receivables	2	6	2	5
Real estate	2	3	–	2
Number of entities	4	9	2	7

As at 31 December 2020	**UK and Ireland**	**Portugal**	**Italy**	**Netherlands**
Portfolio investments	**£000**	**£000**	**£000**	**£000**
FVTPL	18,991	23,718	37,459	81,833
Amortised cost	–	1,929	–	–
Total assets	18,991	25,647	37,459	81,833
Total liabilities	–	–	–	–

The maximum exposure to loss is the carrying value of the instruments summarised above, due to the nature of the Group's holdings at the fact that no additional support has been provided or committed to the vehicles.

Unconsolidated structured entities in which the Group holds an interest are typically financed by a form of junior profit participation note, and in some instances also have senior secured or senior unsecured liabilities to which the junior positions are subordinated.

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Notes to the Financial Statements *(continued)*

27. Share-based payments – Group and Company

On the 11 October 2021, the entire issued and to be issued share capital of Arrow Global Group plc (now Arrow Global Group Limited) was acquired by Sherwood Acquisitions Limited, a newly formed company owned by investment funds managed by TDR Capital. On 12 October 2021, the Financial Conduct Authority cancelled the listing of Arrow shares on the London Stock Exchange. As part of the delisting and acquisition, share-based payment charge was accelerated, which otherwise would not have been incurred in the reporting period. Outstanding share options were paid with no remaining options being held. The option vesting criteria and respective requirements as discussed below. In light of the TDR acquisition, all outstanding options vested in full during the period, excluding the 2021 LTIP issuance, which vested by a third.

Share incentive plan (SIP)

In 2021 (and previously 2014 to 2020), the Company offered to all UK employees the opportunity to participate in a SIP, where the Company gives the participating employees one matching share for each partnership share acquired on behalf of the employee using the participating employees' gross salaries. The shares vest at the end of three years on a rolling basis as they are purchased, with employees required to stay in employment for the vesting period to receive the shares.

On 30 December 2014, the Group provided eligible employees with a free share award worth £500, with a grant date price per share of £2.29 as part of the Arrow Global Group SIP. The free shares vested in 2017, with restrictions attached to these shares ceasing to have effect from the vesting date.

Long-term incentive plan (LTIP)

On 9 April 2021 and 25 June 2020, nil-cost share options and conditional awards were granted to eligible employees based on a maximum of 200% of base salary. The LTIP awards vest at the end of three years, subject to the achievement of performance conditions.

On 20 June 2019, nil-cost share options were granted to eligible employees based on a maximum of 200% of base salary. The LTIP awards vest at the end of three years subject to the achievement of performance conditions. On the same dates, tax-qualifying options were granted as part of the LTIP awards ('CSOP options') to eligible UK employees.

On 27 June 2018, 31 March 2017, 8 April 2016 and 19 May 2016, 30 June 2015 and 15 June 2015, nil-cost share options were granted to eligible employees based on a maximum of 150% of base salary. The LTIP awards vest at the end of three years subject to the achievement of performance conditions. On the same dates, CSOP options were granted as part of the LTIP awards to eligible UK employees.

Each CSOP option is subject to the same performance targets as apply to the nil-cost option part of the awards. If a CSOP option is exercised at a gain, the number of shares that may be delivered under the above associated nil-cost option under the LTIP will be reduced at exercise by the same value to ensure that the total pre-tax value of the original LTIP award delivered to the participant is not increased by the grant of the CSOP option.

Awards granted on or after 27 June 2018 awards do not include the right to receive a dividend equivalent.

2021 LTIP award criteria

For each eligible employee, 33.3% of the LTIP awards were subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 25% average ROE over the three performance years	0%
25% average ROE over the three performance years (threshold performance)	25%
30% average ROE over the three performance years (maximum performance)	100%
Between 25% and 30% average ROE over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

Notes to the Financial Statements *(continued)*

27. Share-based payments – Group and Company *(continued)*

For each eligible employee, 33.3% of the LTIP awards were subject to the following total shareholder return criteria, being share price growth plus the value of dividend. The Group is compared against the FTSE 350 Index, with the LTIP awards vesting as follows:

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) ('threshold performance')	25%
Upper quartile ranking (top 25%) ('maximum performance')	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight-line basis

For each eligible employee, 33.3% of the LTIP awards were subject to the following FCF performance conditions:

Performance condition	Percentage vesting
Less than £700 million cumulative FCF over the three performance years	0%
£700 million cumulative FCF over the three performance years (threshold performance)	25%
£850 million cumulative FCF over the three performance years (maximum performance)	100%
Between £700 million and £850 million cumulative FCF over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

2020 LTIP award criteria

For each eligible employee, 33.3% of the LTIP awards were subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 20% ROE in the final year of the plan (2022)	0%
20% ROE in the final year of the plan (2022) (threshold performance)	25%
30% ROE in the final year of the plan (2022 (maximum performance)	100%
Between 20% and 30% average ROE over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

For each eligible employee, 33.3% of the LTIP awards were subject to the following total shareholder return criteria, being share price growth plus the value of dividend measured over a period of three years from the date of grant. The Group is compared against the FTSE 350 Index.

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) ('threshold performance')	25%
Upper quartile ranking (top 25%) ('maximum performance')	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight-line basis

Notes to the Financial Statements *(continued)*

27. Share-based payments – Group and Company *(continued)*

For each eligible employee, 33.3% of the LTIP awards were subject to the following FCF performance conditions:

Performance condition	Percentage vesting
Less than £500 million cumulative FCF over the three performance years	0%
£500 million cumulative FCF over the three performance years (threshold performance)	25%
£600 million cumulative FCF over the three performance years (maximum performance)	100%
Between £500 million and £600 million cumulative FCF over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

2019 LTIP award criteria

For each eligible employee, 50% of the LTIP awards were subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 24% Average ROE over three performance years	0%
24% average ROE over the three performance years (threshold performance)	25%
30% average ROE over the three performance years (maximum performance)	100%
Between 24% and 30% average ROE over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

For each eligible employee, 25% of the LTIP awards were subject to the following total shareholder return criteria, being share price growth plus the value of dividend. The Group is compared against the FTSE 350 Index.

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) ('threshold performance')	25%
Upper quartile ranking (top 25%) ('maximum performance')	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight-line basis

For each eligible employee, 25% of the LTIP awards were subject to the following FCF performance conditions:

Performance condition	Percentage vesting
Less than £715 million cumulative FCF over the three performance years	0%
£715 million cumulative FCF over the three performance years (threshold performance)	25%
£757 million cumulative FCF over the three performance years (maximum performance)	100%
Between £715 million and £757 million cumulative FCF over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

LTIP Awards 2015, 2016, 2017 and 2018 criteria

For each eligible employee, 50% of the LTIP awards were subject to the following underlying basic EPS growth criteria:

Performance condition	Percentage vesting
Less than 10% EPS growth per annum	0%
10% EPS growth per annum over the vesting period ('threshold performance')	25%
20% EPS growth per annum over the vesting period ('maximum performance')	100%
Between 10% and 20% EPS growth per annum over the vesting period	Between the threshold performance and maximum performance on a straight-line basis

Notes to the Financial Statements *(continued)*

27. Share-based payments – Group and Company *(continued)*

For each eligible employee, 25% of the LTIP awards were subject to the following total shareholder return criteria, being share price growth plus the value of dividend. The Group is compared against the FTSE 350 Index.

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) ('threshold performance')	25%
Upper quartile ranking (top 25%) ('maximum performance')	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight-line basis

LTIP awards 2018

For each eligible employee, 25% of the LTIP awards were subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 26% average ROE over the three performance years	0%
26% average ROE growth over the three performance years ('threshold performance')	25%
30% average ROE growth over the three performance years ('maximum performance')	100%
Between 26% and 30% average ROE growth over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

LTIP awards 2015, 2016 and 2017

For each eligible employee, 25% of the LTIP awards were subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 20% average ROE over the three performance years	0%
20% average ROE growth over the three performance years ('threshold performance')	25%
26% average ROE growth over the three performance years ('maximum performance')	100%
Between 20% and 26% average ROE growth over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

Restricted share awards

Restricted share awards were made in April 2021, June 2020 and May 2019. Prior to the delisting and acquisition, these awards were due to vest on 16 March 2022, 25 June 2022 and 10 May 2021 respectively, subject to continuity of employment. Awards made on 10 May 2018, 31 March 2017, 19 May 2016 and 15 June 2015 vested on 10 May 2020, 31 March 2019, 19 May 2018 and 11 May 2017 respectively. Due to the delisting and acquisition, the vesting has been accelerated with all awards vesting.

Deferred share bonus plan (DSBP)

Up to 50% of the bonus earned by the executive directors is deferred into shares for up to three years via the DSBP, subject to continued employment during the vesting period. DSBP awards were made on 8 April 2020, 26 March 2019 and 27 March 2018.

Deferred shares granted on 9 April 2015, 8 April 2016 and 31 March 2017 vested on 9 April 2018, 8 April 2019 and 31 March 2020 respectively.

Buy-out awards

Buy-out share awards were made on 2 January 2018, in respect to compensation of forfeited awards for Paul Cooper as a result of his resignation from his former employer, in connection with Paul Cooper's resignation the awards which were due to vest in 2020 and 2021 lapsed.

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Notes to the Financial Statements *(continued)*

27. Share-based payments – Group and Company *(continued)*

Grant information

The terms and conditions of the grant were as follows:

Name Grant date/employees entitled	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Equity settled award – SIP	Equity	81,298	3 years	31 October 2016
Equity settled award – SIP	Equity	90,252	3 years	30 December 2017
Equity settled award – SIP	Equity	16,676	3 years (rolling)	May-June 2017
Equity settled award – LTIP	Equity	1,483,532	3 years	15 June 2018
Equity settled award – LTIP	Equity	32,739	3 years	15 June 2018
Equity settled award – SIP	Equity	55,003	3 years (rolling)	May-June 2018
Equity settled award – LTIP	Equity	1,563,299	3 years	8 April 2019
Equity settled award – SIP	Equity	73,261	3 years (rolling)	April 2019
Equity settled award – LTIP	Equity	1,430,117	3 years	31 March 2020
Equity settled award – LTIP	Equity	74,052	3 years	31 March 2020
Equity settled award – SIP	Equity	50,106	3 years (rolling)	May-June 2020
Equity settled award – DSBP	Equity	65,374	3 years	31 March 2020
Equity settled award – LTIP	Equity	1,814,874	3 years	27 June 2021
Equity settled award – SIP	Equity	111,097	3 years rolling	May-June 2021
Equity settled award – DSBP	Equity	70,891	3 years	26 March 2021
Equity settled award – buy out	Equity	49,951	1 year 4 months	30 April 2019
Equity settled award – LTIP	Equity	2,107,612	3 years	22 June 2022
Equity settled award – restricted	Equity	359,934	2 years	10 May 2021
Equity settled award – SIP	Equity	103,981	3 years rolling	May-June 2022
Equity settled award – DSBP	Equity	132,737	3 years	26 March 2022
Equity settled award – LTIP	Equity	5,723,288	3 years	25 June 2023
Equity settled award – restricted	Equity	359,934	2 years	25 June 2022
Equity settled award – SIP	Equity	773,822	3 years rolling	May-June 2023
Equity settled award – DSBP	Equity	148,149	3 years	8 April 2023
Equity settled award – LTIP	Equity	1,855,148	3 years	9 April 2024
Equity settled award – restricted	Equity	64,357	1 year	23 March 2022
Equity settled award – SIP	Equity	106,414	3 years rolling	May-June 2024

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Notes to the Financial Statements *(continued)*

27. Share-based payments – Group and Company *(continued)*

The following table shows the weighted average exercise prices (WAEP)/fair values (FV) and number of options movements during the year.

	2021		2020	
	WAEP £000	**Number of options £000**	**WAEP £000**	**Number of options £000**
Outstanding at the beginning of the year	1.47	10,942,336	2.63	5,433,806
Granted during the year	3.04	2,025,919	0.90	6,875,607
Forfeited during the year	2.95	(1,385,302)	1.67	(247,733)
Exercised during the year	1.46	(10,373,026)	3.27	(467,946)
Expired during the year	2.49	(1,209,927)	3.51	(651,398)
Outstanding at 31 December		**–**	**1.47**	**10,942,336**
Exercisable at 31 December		**–**	**2.83**	**2.62**

The weighted average price of shares exercised in the year was £3.07 (2020: £0.91). The share options outstanding at 31 December 2021 have a weighted average contractual life of nil years (2020: 1.7 years) and an exercise price in the range of £2.86 to £3.08. The weighted average fair value of options granted during the year was £2.84 (2020: £0.85). The majority of options granted to date are nil-cost options (2020: nil-cost options).

The fair value of equity settled share-based payments has been estimated as at date of grant using the Black-Scholes model. The inputs to the models used to determine the valuations fell within the following ranges:

Name	**9 April 2021**	**6 April 2021**	**May 2021**
Expected life of options (years)	3	1	3
Share prices at date of grant	£3.04	£3.04	£3.05
Expected share price volatility (%)	74.1%	N/a	N/a
Risk free interest rate (%)	0.16%	N/a	N/a

The total expenses recognised for the year arising from share-based payments are as follows:

	2021 £000	**2020 £000**
Equity settled share-based payment expense spread across vesting period	10,054	1,753
Total equity settled share-based payment expense recognised in the statement of comprehensive income	9,480	1,946

Notes to the Financial Statements *(continued)*

28. Borrowings

	2021	2020
	£000	£000
Senior secured notes net of transaction fees of £nil (2020: £10,480,000)	–	930,575
Revolving credit facility net of transaction fees of £nil (2020: £2,790,000)	–	277,552
Asset-backed loans net of transaction fees of £636,000 (2020: £4,708,000)	55,158	143,985
Bank overdrafts[1]	9,559	3,648
Other borrowings	2,241	3,247
Total borrowing including held for sale	**66,958**	**1,359,007**
Bank overdraft moved to liabilities held for sale[1]	71	–
Total borrowings excluding held for sale	**67,029**	**1,359,007**
Total borrowings		
Amount due for settlement within 12 months	53,440	362,427
Amount due for settlement after 12 months	13,518	996,580

[1] Bank overdraft includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts on the consolidated statement of financial position. See note 29 for more information.

Senior secured notes

On 27 October, the ultimate Group successfully priced into a sister company Sherwood Financing plc €400 million 4.5% Euro fixed rated bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026, with the proceeds being used to prepay all the outstanding bonds at that time and certain drawings under the revolving credit facility. The formal facilities have been replaced with internal funding from a sister company, which can be seen in note 16.

Revolving credit facility

On 6 October 2021, the ultimate Group entered into a new £285 million revolving credit facility into a sister company Sherwood Financing 2 Limited, with a margin of 325bps, maturing in April 2026. The facility has a similar security package to the cancelled facility and a leverage financial covenant. On 11 October 2021, the previous revolving credit facility was cancelled.

Asset-backed securitisation

The Group has two non-recourse committed asset-backed securitisation term loans.

The first loan of £38.2 million as at 31 December 2021, secured on UK unsecured assets, pays LIBOR plus 3.1%. The Group initially established a £100 million asset-backed facility in April 2019 with £137 million of ERC being sold to a wholly owned subsidiary, AGL Fleetwood Limited, and further ERC has been sold to AGL Fleetwood Limited at various times since the initial set up allowing further borrowings to be drawn.

Since 1 January 2020, there has been one such drawing. On 31 March 2020, the Group sold £30 million of ERC into AGL Fleetwood Limited and on 2 April 2020 borrowed an additional £21 million non-recourse funding on the same terms under the facility.

During July 2020, the Group entered into further arrangements in connection with the non-recourse facility to mitigate potential balance sheet cash collections impacts of COVID-19. An additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made. In consideration of the additional ERC pledged, the lender agreed to amend certain performance criteria.

Since January 2022, the loan has been amended to reflect the transition from LIBOR to SONIA.

During July 2020, the Group entered into a second non-recourse fully drawn amortising loan of €104.7 million. This loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%. The outstanding amount of the loan as at 31 December 2021 was €17.4 million. The loan was fully repaid in January 2022.

As at 31 December 2021, £262.6 million of the portfolio investments, set out in note 23, are pledged as collateral for the asset-backed securitisations.

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Notes to the Financial Statements *(continued)*

28. Borrowings *(continued)*

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Senior secured notes £000	Asset-backed loans £000	Revolving credit facility £000	Lease liabilities £000	Deferred and contingent consideration £000	Other borrowings £000	Total £000
		£000	£000	£000	£000	£000	£000
Balance at 31 December 2020	**930,575**	**143,985**	**277,552**	**18,201**	**32,168**	**6,978**	**1,409,459**
Changes from financing cash flows							
Movement in other banking facilities	–	–	(280,488)	–	–	4,829	(275,659)
Net proceeds from additional loans	63,714	–	–	–	–	–	63,714
Redemption of issued notes	(959,084)	–	–	–	–	–	(959,084)
Early bond repayment costs	(15,457)	–	–	–	–	–	(15,457)
Repayment of asset-backed loans	–	(89,171)	–	–	–	–	(89,171)
Repayment of interest on issued notes	(38,342)	–	–	–	–	–	(38,342)
Repayment of interest on asset-backed loans	–	(3,947)	–	–	–	–	(3,947)
Payments on lease liabilities	–	–	–	(5,321)	–	–	(5,321)
Banking facility interest and other fees paid	–	–	–	–	–	(6,320)	(6,320)
Payment of deferred interest	–	–	–	–	(1,907)	–	(1,907)
Total changes from financing cash flows	**(949,169)**	**(93,118)**	**(280,488)**	**(5,321)**	**(1,907)**	**(1,491)**	**(1,331,494)**
Liability-related							
Interest expense on issued notes	32,457	3,492	–	–	–	–	35,949
Amortisation of capitalised transaction fees	2,119	4,525	980	–	–	–	7,624
Banking facility interest and other fees	–	–	5,674	–	–	(22)	5,652
Interest rate swap and hedge costs	–	–	–	–	–	59	59
Other interest including on lease liabilities	–	–	–	1,010	582	1,237	2,829
Refinancing	26,009	–	7,281	–	–	–	33,290
Total interest and similar charges	**60,585**	**8,017**	**13,935**	**1,010**	**582**	**1,274**	**85,403**
The effect of changes in foreign exchange rates	(41,488)	(3,175)	(7,134)	(537)	(342)	(458)	(53,134)
Capitalised transaction fees	–	(294)	1,844	–	–	–	1,550
Net deferred consideration commitments	–	–	–	–	(1,144)	–	(1,144)
Issue of share option derivative						25,434	25,434
Other changes	(503)	(257)	(5,709)	4,128	–	5,670	3,329
Total liability-related changes	**(41,991)**	**(3,726)**	**(10,999)**	**3,591**	**(1,486)**	**30,646**	**(23,965)**
Balance at 31 December 2021	**–**	**55,158**	**–**	**17,481**	**29,357**	**37,407**	**139,403**

Notes to the Financial Statements *(continued)*

28. Borrowings *(continued)*

Other borrowings

	2021	2020
	£000	£000
Other borrowings	2,241	3,247
Bank overdrafts[1]	9,559	3,648
Derivative liability	25,607	83
	37,407	**6,978**

[1] Bank overdraft includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts on the consolidated statement of financial position

29. Disposal group held for sale

During the second half of 2021, Arrow Global committed to a plan to dispose of the business operations of Whitestar Italia S.r.l. (Whitestar Italy). Whitestar Italy is part of the AMS segment, seen in note 5. Accordingly, the relevant assets and liabilities are presented as a disposal group held for sale. The sale is expected to complete in the first quarter of 2022.

Impairment losses relating to the disposal group

Impairment losses of £1,107,000 have been recognised in other operating expenses, in addition to an acquisition impairment of £817,000 in the opening balance sheet. The impairment losses have been applied to reduce the carrying amount of property, plant and equipment and other intangible assets to nil within the disposal group as well as recognising further liabilities for expected selling costs.

Assets and liabilities of disposal group held for sale

	Note	£000
Cash and cash equivalents		3,352
Trade and other receivables	**15**	1,546
Deferred tax asset	**11**	757
Assets held for sale		**5,655**
Trade and other payables	**16**	(6,652)
Bank overdraft	**28**	71
Current tax liability		926
Liabilities held for sale		**(5,655)**

Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in the OCI relating to the disposal group.

Notes to the Financial Statements *(continued)*

30. Notes to the statement of cash flows

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Loss/(profit) after tax	(123,651)	(93,617)	(10,199)	8,330
Adjusted for:				
Balance sheet cash collections in the year	367,386	338,872	–	–
Income from portfolio investments	(136,064)	(165,089)	–	–
Fair value gains on portfolios	(62,451)	(4,976)	–	–
Net impairment (gains)/losses	(2,709)	100,436	–	–
Depreciation and amortisation	16,338	18,910	–	–
Loss/(profit) on write-off and disposal of property, plant and equipment	2,199	(453)	–	–
Loss on write-off and disposal of intangible assets	8,144	249	–	–
Net interest payable	95,446	56,388	–	–
Lease liability interest	1,010	1,107	–	–
Foreign exchange (gains)/losses	(2,793)	743	–	–
Equity settled share-based payment expenses	10,054	1,753	–	–
Tax charge/(credit)	22,712	(21,206)	(313)	2,746
Operating cash flows before movement in working capital	**195,621**	**233,117**	**(10,512)**	**11,076**
Decrease/(increase) in other receivables	13,820	(30,551)	(136)	(95)
Decrease in amounts (due to)/from other group undertakings	(41,456)	–	19,258	(9,980)
Increase/(decrease) in trade and other payables	40,600	(44,715)	(777)	287
Cash generated by operations	**208,585**	**157,851**	**7,833**	**1,288**
Income taxes and overseas taxation paid	(8,408)	(6,491)	(1,986)	–
Net cash flow from operating activities before purchases of portfolio investments	**200,177**	**151,360**	**5,847**	**1,288**
Purchase of portfolio investments	(189,663)	(109,850)	–	–
Net cash generated by operating activities	**10,514**	**41,510**	**5,847**	**1,288**

31. Parent Undertaking

On the 11 October 2021, the entire issued and to be issued share capital of Arrow Global Group plc (now Arrow Global Group Limited) was acquired by Sherwood Acquisitions Limited, a newly formed company owned by investment funds managed by TDR Capital. On 12 October 2021, the Financial Conduct Authority cancelled the listing of Arrow shares on the London Stock Exchange.

The ultimate parent company is TDR Nominees 2016 Limited, which is incorporated in England and Wales.

Notes to the Financial Statements *(continued)*

32. Post balance sheet events

Since the year end, we have seen the development concerning the Ukrainian crisis and related international sanctions. At present, it is not possible to assess the detailed impact of the emerging risk but there is growing concern about the impact on the European economy and the financial markets. There has been a significant correction in the financial markets in the last few weeks. The Group continue to monitor events and are keeping the board updated on the economic impact, if any, to the Group.

The Group agreed the sale of subsidiaries Whitestar Italia S.r.l, New Call S.r.l and PARR S.H.P.K (together "Whitestar Italy") on 11 March 2022. The disposal concerned business process outsourcing of Italian utility collections, which is considered non-core to the Group's operations. The secured and unsecured investment portfolios and their collections activity previously undertaken by Whitestar Italy were moved to other Arrow subsidiaries pre-disposal.

Arrow Global Group Limited

(formerly Arrow Global Group plc)

Combined Consolidated Financial Statements as of and for the year ended 31 December 2021

ARROW

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Continuing operations		
Income from portfolio investments at amortised cost	132,758	164,597
Fair value gains on portfolio investments at FVTPL	62,451	4,976
Impairment gains/(losses) on portfolio investments	17,508	(100,436)
Income from portfolio investments - real estate inventories	1,963	492
Total income from portfolio investments	**214,680**	**69,629**
Income from asset management and servicing and fund and investment management	116,477	97,026
Gain on disposal of leases	–	453
Other income	98	384
Total income	**331,255**	**167,492**
Operating expenses:		
Collection activity costs and fund management costs	(137,169)	(130,572)
Other operating expenses	(192,976)	(94,248)
Total operating expenses	**(330,145)**	**(224,820)**
Operating profit/(loss)	**1,110**	**(57,328)**
Net finance costs	(85,840)	(57,495)
Loss before tax[1]	**(84,730)**	**(114,823)**
Taxation (charge)/credit on ordinary activities	(2,932)	21,206
Loss after tax	**(87,662)**	**(93,617)**
(Loss)/profit attributable to:		
Owners of the Company	(87,816)	(92,829)
Non-controlling interest	154	(788)
	(87,662)	**(93,617)**

[1] The loss before tax includes £113,741,000 of adjusting items. For the reconciliation between these results and the condensed consolidated profit and loss, please see the reconciliation on page 14.

For the purposes of this document, the condensed consolidated statement of profit or loss and other comprehensive income of the Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have been combined with the condensed consolidated statement of profit or loss and other comprehensive income of Sherwood Parentco Limited for the year to 31 December 2021. This enables the full year condensed consolidated statement of profit or loss and other comprehensive income for Arrow Global Group to be presented. This excludes the impact of non-cash adjustments to asset and liability valuations that have been recognised directly in the Sherwood Parentco Limited Consolidated Statement of Financial Position, as required for Sherwood Parentco Limited's acquisition of the Arrow Global Group under IFRS 3 Business Combinations. The audited results, including the condensed consolidated statement of profit or loss and other comprehensive income, of Sherwood Parentco Limited will be available shortly on our website at https://bit.ly/3Co0rvO. The comparative results are for Arrow Global Group Limited (formerly plc).

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

Assets	Note	31 December 2021 £000	31 December 2020 £000
Cash and cash equivalents		198,911	182,892
Trade and other receivables		52,360	71,372
Portfolio investments – amortised cost	3	704,944	793,554
Portfolio investments – FVTPL	3	302,808	187,421
Portfolio investments – real estate inventories	3	41,029	61,240
Property, plant and equipment		16,634	17,612
Intangible assets		128,429	38,709
Deferred tax asset		3,212	31,782
Investment in associate		62,184	–
Goodwill		688,063	278,338
Assets held for sale[1]		5,655	–
Total assets		**2,204,229**	**1,662,920**
Liabilities			
Bank overdrafts	4	9,630	3,648
Revolving credit facility	4	167,373	277,552
Derivative liability		25,607	83
Trade and other payables		190,604	166,965
Current tax liability		1,837	2,110
Other borrowings	4	2,241	3,247
Asset-backed loans	4	55,158	143,985
Senior secured notes	4	1,211,416	930,575
Deferred tax liability		24,286	18,056
Liabilities held for sale[1]		5,655	–
Total liabilities		**1,693,807**	**1,546,221**
Equity			
Share capital		166,813	1,774
Share premium		410,859	347,436
Retained earnings		(71,672)	38,506
Hedging reserve		–	(67)
Other reserves		952	(274,451)
Total equity attributable to shareholders		**506,952**	**113,198**
Non-controlling interest		3,470	3,501
Total equity		**510,422**	**116,699**
Total equity and liabilities		**2,204,229**	**1,662,920**

[1] We expect to dispose of the Whitestar Italy platform. As a result, the balance sheet items of £5,655,000 in respect of the Whitestar Italy platform, for disclosure purposes has been moved to 'Assets held for sale' and 'liabilities held for sale' on the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Net cash flows from operating activities before purchases of portfolio investments	**196,880**	**151,360**
Purchase of portfolio investments	(189,663)	(109,850)
Net cash generated by operating activities	**7,217**	**41,510**
Net cash used in investing activities	**(568,702)**	**(21,000)**
Net cash flows (used in)/generated by financing activities	**580,406**	**40,276**
Net (decrease)/increase in cash and cash equivalents	**18,921**	**60,786**
Cash and cash equivalents at beginning of year	182,892	115,376
Effect of exchange rates on cash and cash equivalents	450	6,730
Cash and cash equivalents at end of year including held for sale	**202,263**	**182,892**
Cash and cash equivalents moved to assets held for sale[1]	(3,352)	–
Cash and cash equivalents at end of year excluding held for sale	**198,911**	**182,892**

[1] Cash and cash equivalents at the end of the year includes £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position.

For the purposes of this document, the condensed consolidated statement of cashflows of the Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have been combined with the condensed consolidated statement of cashflows of Sherwood Parentco Limited for the year to 31 December 2021. This enables the full year condensed consolidated statement of cashflows for Arrow Global Group to be presented. The audited results, including the condensed consolidated statement of cashflows, of Sherwood Parentco Limited will be available shortly on our website at https://bit.ly/3Co0rvO.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the purposes of this document, Arrow Global Group has sought to present the full year results for Arrow Global Group. The consolidated results of Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have therefore been combined with the consolidated results of Sherwood Parentco Limited for the year to 31 December 2021. Given the change in the consolidating parent, it is not appropriate to show a condensed consolidated statement of changes in equity on such a basis. As such, no condensed consolidated statement of changes in equity has been provided due to the change in consolidating parent. The audited results, including the condensed consolidated statement of changes in equity of Sherwood Parentco Limited, will be available shortly on our website at https://bit.ly/3Co0rvO.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Significant accounting policy updates

These financial statements are unaudited and do not include all the information required for annual reporting. For the purposes of this document, the consolidated results of the Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have been combined with the consolidated results of Sherwood Parentco Limited for the year to 31 December 2021. This enables the full year consolidated results for Arrow Global Group to be presented. These results should be read in conjunction with the Sherwood Parentco Limited Group's consolidated statutory report and accounts for the period from incorporation on 29 March 2021 to 31 December 2021. The audited consolidated results of Sherwood Parentco Limited will be available shortly on our website at https://bit.ly/3Co0rvO.

The Group's consolidated annual report and accounts are prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRS') and also in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. These financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Sherwood Parentco Limited Group's consolidated report and accounts for the period ended 31 December 2021 that will be published shortly.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

2. Segmental reporting

2021	Balance Sheet business	AMS business	FIM business	Group functions	Intra-segment elimination	Adjusting items	Total
	£000	£000	£000	£000	£000	£000	£000
Total income	199,400	133,092	55,019	98	(56,354)	1,343	**332,598**
Collection activity and fund management costs	(87,578)	(77,820)	(28,125)	–	56,354	–	**(137,169)**
Gross margin	**111,822**	**55,272**	**26,894**	**98**	**–**	**1,343**	195,429
Gross margin %	*56.1%*	*41.5%*	*48.9%*				*58.8%*
Other operating expenses excluding depreciation, amortisation and forex	(9,909)	(44,348)	(15,752)	(105,931)	–	85,325	**(90,615)**
EBITDA	**101,913**	**10,924**	**11,142**	**(105,833)**	**–**	86,668	**104,814**
EBITDA margin %	*51.1%*	*8.2%*	*20.3%*				*31.5%*
Depreciation, amortisation and forex	(2,518)	(6,531)	(3,057)	(4,930)	–	4,188	**(12,848)**
Operating profit/(loss)	**99,395**	**4,393**	**8,085**	**(110,763)**	**–**	90,856	**91,966**
Net finance costs	–	–	–	(85,840)	–	22,885	**(62,955)**
(Loss)/profit before tax and adjusting items	**99,395**	**4,393**	**8,085**	**(196,603)**	**–**	113,741	**29,011**
Adjusting items	–	–	–	–	–	*(113,741)*	*(113,741)*
Profit/(loss) before tax	**99,395**	**4,393**	***8,085***	***(196,603)***	**–**	**–**	*(84,730)*

2020	Balance Sheet business	AMS business	FIM business	Group functions	Intra-segment elimination	Total
	£000	£000	£000	£000	£000	£000
Total income	64,882	125,361	36,774	837	(60,362)	**167,492**
Collection activity and fund management costs	(98,446)	(71,164)	(21,324)	–	60,362	**(130,572)**
Gross margin	**(33,564)**	**54,197**	**15,450**	**837**	**–**	**36,920**
Gross margin %	*(51.7)%*	*43.2%*	*42.0%*			
Other operating expenses excluding depreciation, amortisation and forex	(10,724)	(38,599)	(12,800)	(12,472)	–	**(74,595)**
EBITDA	**(44,288)**	**15,598**	**2,650**	**(11,635)**	**–**	**(37,675)**
EBITDA margin %	*(68.3)%*	*12.4%*	*7.2%*			
Depreciation, amortisation and forex	(5,094)	(4,903)	(513)	(9,143)	–	**(19,653)**
Operating (loss)/profit	**(49,382)**	**10,695**	**2,137**	**(20,778)**	**–**	**(57,328)**
Net finance costs	–	–	–	(57,495)	–	**(57,495)**
(Loss)/profit before tax	**(49,382)**	**10,695**	**2,137**	**(78,273)**	**–**	**(114,823)**

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

3. Portfolio investments

The movements in portfolios investments were as follows:

Year ended 31 December 2021

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2021	793,554	187,421	61,240	1,042,215
Portfolios purchased during the year	35,518	154,145	–	189,663
Collections in the year	(280,999)	(73,923)	(12,464)	(367,386)
Income from portfolio investments at amortised cost	132,758	–	–	132,758
Fair value gains on portfolio investments at FVTPL	–	62,451	–	62,451
Income from portfolio investments - real estate inventories	–	–	1,963	1,963
Net impairment gains/(losses)	18,535	–	(1,027)	17,508
Fair value adjustments on acquisition	13,694	–	(8,328)	5,366
Exchange and other movements	(8,116)	(27,286)	(355)	(35,757)
As at 31 December 2021	**704,944**	**302,808**	**41,029**	**1,048,781**

Year ended 31 December 2020

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2020	932,199	169,799	61,626	1,163,624
Portfolios purchased during the year	47,169	62,681	–	109,850
Balance sheet cash collections in the year	(287,662)	(46,074)	(5,136)	(338,872)
Income from portfolio investments at amortised cost	164,597	–	–	164,597
Fair value gain on portfolio investments at FVTPL	–	4,976	–	4,976
Income from portfolio investments - real estate inventories	–	–	492	492
Net impairment losses	(100,022)	–	(414)	(100,436)
Exchange and other movements	37,273	(3,961)	4,672	37,984
As at 31 December 2020	**793,554**	**187,421**	**61,240**	**1,042,215**

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4. Borrowings and facilities

Secured borrowing at amortised cost	31 December 2021 £000	31 December 2020 £000
Senior secured notes (net of transaction fees of £20,538,000, 31 December 2020: £11,048,000)	1,211,416	930,575
Revolving credit facility (net of transaction fees of £4,042,000, 31 December 2020: £3,023,000)	167,373	277,552
Asset backed loan (net of transaction fees of £636,000, 31 December 2020: £4,810,000)	55,158	143,985
Bank overdrafts[1]	9,559	3,648
Other borrowings – non-recourse facility	2,241	3,247
Total borrowing including held for sale	**1,445,747**	**1,359,007**
Bank overdraft moved to liabilities held for sale	71	–
Total borrowings excluding held for sale	**1,445,818**	**1,359,007**

Total borrowings including held for sale		
Amount due for settlement within 12 months	220,813	362,427
Amount due for settlement after 12 months	1,224,934	996,580

[1] Bank overdraft includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts on the consolidated statement of financial position.

Senior secured notes

On 27 October 2021, Group successfully priced €400 million 4.5% Euro fixed rated bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026, with the proceeds being used to prepay all the outstanding bonds at that time and certain drawings under the revolving credit facility. The bonds were issued by Sherwood Financing plc and the floating rate notes are subject to a zero percent EURIBOR floor. The bonds are secured on the majority of the Group's assets.

Revolving credit facility

On 6 October 2021, the Group entered into a new £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The margin is subject to a ratchet downwards based upon decreasing leverage levels. The facility ranks senior secured and therefore has a similar security package to the cancelled facility and the bonds issued during the year. Under the terms of an intercreditor agreement, the facility ranks super senior to the bonds as any obligations under the facility will be settled in advance of any obligations under the bonds.

The facility has one financial covenant, being a leverage test. On 11 October 2021, the existing revolving credit facility, also for £285 million, was cancelled. The existing revolving credit facility had three financial covenants, being leverage, liquidity and SSLTV tests.

Asset Backed Securitisation

The Group has two non-recourse committed asset-backed securitisation term loans.

The first loan of £38.2 million as at 31 December 2021, secured on UK unsecured assets, pays LIBOR plus 3.1%. The Group initially established a £100 million asset-backed facility in April 2019 with £137 million of ERC being sold to a wholly owned subsidiary, AGL Fleetwood Limited, and further ERC has been sold to AGL Fleetwood Limited at various times since the initial set up allowing further borrowings to be drawn.

Since 1 January 2020, there has been one such drawing. On 31 March 2020, the Group sold £30 million of ERC into AGL Fleetwood Limited and on 2 April 2020 borrowed an additional £21 million non-recourse funding on the same terms under the facility.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

4. Borrowings and facilities *(continued)*

During July 2020, the Group entered into further arrangements in connection with the non-recourse facility to mitigate potential balance sheet cash collections impacts of COVID-19. An additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made. In consideration of the additional ERC pledged, the lender agreed to amend certain performance criteria.

During July 2020, the Group entered into a second non-recourse amortising loan of €104.7 million, which was fully drawn during the month. This loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%. The outstanding amount of the loan as at 31 December 2021 was €17.4 million. The loan was fully repaid in January 2022.

As at 31 December 2021, £262.6 million of the portfolio investments, set out in note 3, are pledged as collateral for the asset-backed securitisations.

5. Post balance sheet events

Since the year end, we have seen the development concerning the Ukrainian crisis and related international sanctions. At present, it is not possible to assess the detailed impact of the emerging risk but there is growing concern about the impact on the European economy and the financial markets. There has been a significant correction in the financial markets in the last few weeks. The Group continue to monitor events and are keeping the board updated on the economic impact, if any, to the Group.

The Group agreed the sale of subsidiaries Whitestar Italia S.r.l, New Call S.r.l and PARR S.H.P.K (together "Whitestar Italy") on 11 March 2022. The disposal concerned business process outsourcing of Italian utility collections, which is considered non-core to the Group's operations. The secured and unsecured investment portfolios and their collections activity previously undertaken by Whitestar Italy were moved to other Arrow subsidiaries pre-disposal.